

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Clare	County Clare and Isabella
Fiscal Year End June 30, 2007	Opinion Date November 5, 2007	Date Audit Report Submitted to State December 14, 2007	

We affirm that:

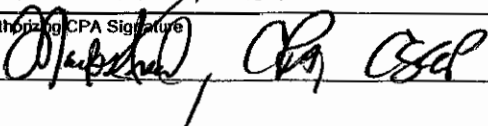
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal Audit Committee Letter	
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI
Zip 48640		License Number 1101012221	
Authorized CPA Signature 		Printed Name Mark R. Freed, CPA CSEP	

CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended June 30, 2007

CITY OF CLARE

CITY COMMISSION

Pat Humphrey	Mayor
Jim Allen	Mayor Pro Tem
Jean McConnell	Commissioner
Bill Horwood	Commissioner
Jennifer Dancer	Commissioner

MANAGEMENT

Ken Hibl	City Manager
Kay Haven	City Clerk
Steven Kingsbury	Finance Director & Treasurer

CITY POPULATION–2000 CENSUS
3,173

STATE EQUALIZED VALUE–2006
\$98,443,400

STATE TAXABLE VALUE–2006
\$78,824,425

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2007**

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Burnside & Lang, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditors' Report

Members of the City Commission
City of Clare
Clare and Isabella, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare, Clare and Isabella County, Michigan (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clare, Clare and Isabella Counties, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007, on our consideration of the City of Clare's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 41 through 44, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clare's basic financial statements. The combining financial statements on pages 45 through 48 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burnside & Fargnoli, P.C.

Midland, Michigan
November 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Clare's financial performance provides an overview of the City financial activities for the fiscal year that ended on June 30, 2007. Please read it in conjunction with the financial statements following this section.

The intent and objective of providing the management discussion and analysis is to provide the reader a quick summary of salient points and highlights of the City's financial statements while concurrently offering interested parties an appreciation of the City as a complex financial organization providing valuable services to the residents of Clare. The City continues to evolve in response to citizen desires, economic conditions, and decisions of the elected and appointed officials charged with governing the community.

The report presents information on both governmental activities and business-type activities. The governmental activities include the basic operations with City Hall, the Department of Public Works, the Parks and Recreation Department, Public Safety (police and fire protection), the City's airport, community development and related debt service and capital outlay. The business-type activities include the City's public utilities (water and wastewater).

Financial Highlights

- The City's combined net assets increased by \$370,568 or 2.93% ending the fiscal year with a balance of \$13,032,084.
- The City's governmental activities net assets increased by \$202,046 or 2.69% during the fiscal year with an ending balance of \$7,713,014.
- The business-type activities net assets increased \$168,522 or 3.27% to \$5,319,070 from continued positive operations of the City's water and sewer services.
- The City's undesignated General Fund Balance increased \$143,305 or 16.66% from a balance of \$859,923 at the end of the preceding fiscal year to \$1,003,228 at the conclusion of the current fiscal year.
- Net assets of the City's Sewer Fund increased \$126,958 at the end of the current fiscal year with net assets totaling \$3,894,683. Similarly, the net assets of the Water Fund increased slightly \$41,564 to a fiscal year-end balance of \$1,424,387.
- The City's total outstanding debt (excluding component units) decreased \$421,886 or a considerable 11.90% with a fiscal year-end balance of \$3,124,233.
- At the close of the fiscal year the City's unrestricted net assets in its governmental activities was \$1,869,888, an increase of \$83,224 or 4.66%. The unrestricted net assets in the City's business-type activities (water and sewer) were \$1,438,906 as of the end of the fiscal year, a slight decrease of \$58,777.

Overview of the Financial Statements

This annual report consists of these elements: management's discussion and analysis (this section); basic financial statements; and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government and report the City's operation in more detail than the government-wide statements.

Government-wide Statements

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash was received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets — the difference between the City's total assets and total liabilities — is one way to measure the City's financial health or position.

Over time, increases or decreases in the City's net assets are an indicator whether its financial health is improving or deteriorating, respectively. This section will become more significant in future years with data trends from multiple accounting periods.

To assess the overall health of the City one also needs to consider additional non-financial factors such as changes in the City property tax base, the economy and the rate of growth.

The government-wide financial statements of the City are divided into two categories:

Governmental activities — The City's basic services are included here and include police and fire protection, public works, parks, recreation, airport operations, community development, solid waste disposal, property assessment, finance and administration. Property taxes and state revenue sharing finance most of these activities. Fees for programs, licenses and permits are also a source of revenue.

Business-type activities — The City of Clare charges user fees to cover the cost of providing public water services and to finance the operations of the public wastewater utility operated by the City.

Fund Financial Statements

The fund financial statements provide detailed information about the City's significant funds. Funds are accounting categories that municipalities use to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of funds:

Governmental funds — Most of the City's basic services are included in governmental funds that focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, governmental fund statements tell how general government services such as public safety and public works are financed in the short term as well as what future spending remains. Because this information does not encompass the additional long-term focus of government-wide statements, additional information is provided at the bottom of the governmental fund statements to explain the differences between them.

Proprietary funds — Services for which the City charges users and other types of fees are reported in proprietary funds. For the City of Clare these include public water and sewer services. Proprietary fund statements provide short and long-term financial information about these activities that the City operates like a business.

Fiduciary funds — The City is a trustee, or fiduciary, for the collection of all property taxes for the City and for all taxing districts, including the local K-12 school district, the intermediate school district, a community college, two counties, and the State of Michigan. All the City's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the City's government-wide financial statements as these assets cannot be used to finance the operations of the city.

Financial Analysis of the City as a Whole

Net Assets — The City's combined net assets increased by \$370,568 or 2.93% in the reporting period ending June 30, 2007. This table describes the net assets of the City. For complete, detailed financial statements refer to page nine.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current assets	\$2,158,081	\$2,073,572	\$1,823,450	\$1,963,678	\$3,981,531	\$ 4,037,250
Capital assets	6,779,359	6,733,423	6,043,164	6,164,864	12,822,523	12,898,288
Total assets	8,937,440	8,806,995	7,866,614	8,128,543	16,804,054	16,935,538
Liabilities:						
Current liabilities	267,996	273,827	404,728	406,540	672,724	680,367
Long-term liabilities	956,430	1,022,200	2,142,816	2,571,455	3,099,246	3,593,655
Total liabilities	1,224,426	1,296,027	2,547,544	2,977,995	3,771,970	4,274,022
Net Assets:						
Invested in capital assets –						
Net of related debt	5,843,126	5,724,304	3,855,164	3,627,865	9,698,290	9,352,169
Restricted	-	-	25,000	25,000	25,000	25,000
Unrestricted	1,869,888	1,786,664	1,438,906	1,497,683	3,308,794	3,284,347
Total net assets	\$7,713,014	\$ 7,510,968	\$5,319,070	\$5,150,548	\$13,032,084	\$12,661,516

Changes in Net Assets

The City's 2006/2007 total revenues were \$5,215,794 and total expenses were \$4,845,226 resulting in an overall increase of net assets of \$370,568. The following table shows the changes of net assets for the year ending June 30, 2007. For complete, detailed financial statements refer to page ten.

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program revenues:						
Charges for services	\$939,310	\$ 984,273	\$1,346,624	\$1,459,569	\$2,285,934	\$2,443,842
Operating grants and contributions	112,538	239,000	-	-	112,538	239,000
Capital grants and contributions	267,758	-	1,125	-	268,883	-
General revenues:						
Property taxes and related fees	1,441,751	1,351,782	-	-	1,441,751	1,351,782
State aid	681,986	583,064	-	-	681,986	583,064
Interest earnings	98,945	58,498	85,596	60,509	184,541	119,007
Other	56,908	201,680	183,253	159,754	240,161	361,434
Transfers	43,199	(35,319)	(43,199)	35,319	-	-
Total revenues	<u>3,642,395</u>	<u>3,382,978</u>	<u>1,573,399</u>	<u>1,715,151</u>	<u>5,215,794</u>	<u>5,098,129</u>
Program Expenses:						
General government	1,083,410	1,262,471	-	-	1,083,410	1,262,471
Public safety	1,009,458	987,138	-	-	1,009,458	987,138
Public works	761,770	833,295	-	-	761,770	833,295
Community development	194,842	40,554	-	-	194,842	40,554
Recreation and culture	390,869	331,906	-	-	390,869	331,906
Sewer	-	-	856,789	832,963	856,789	832,963
Water	-	-	548,088	490,027	548,088	490,027
Total program expenses	<u>3,440,349</u>	<u>3,455,364</u>	<u>1,404,877</u>	<u>1,322,990</u>	<u>4,845,226</u>	<u>4,778,354</u>
Change in net assets	202,046	(72,386)	168,522	392,161	370,568	319,775
Net assets – beginning	7,510,968	7,583,354	5,150,548	4,758,387	12,661,516	12,341,741
Net assets - ending	<u>\$7,713,014</u>	<u>\$7,510,968</u>	<u>\$5,319,070</u>	<u>\$5,150,548</u>	<u>\$13,032,084</u>	<u>\$12,661,516</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$3,642,395, which equated to an increase in governmental activity revenues of \$259,417, or 7.67% from the previous year's revenues in this category. This increase was produced by an increase in property taxes, an increase in state revenue and an increase in interest earnings.

Proprietary Funds

The City's business-type activities revenues decreased \$141,752 during this fiscal reporting period while total expenses increased \$81,887. Though revenues decreased and expenses increased the City's propriety funds total net assets increased \$168,522

Financial Analysis of the City's Funds

As the City completed its fiscal year its governmental funds reported a combined fund balance of \$1,771,193, an increase of \$254,475 or 16.78%.

General Fund Budgetary Highlights

A detailed General Fund budget is adopted by the City Council on an annual basis following a series of scheduled publicly held budget workshops and appropriately noticed public hearings. A number of budget amendments were made throughout the year to adjust or compensate for unanticipated operational and emergency-type expenses and to transfer funds from one operating fund to another.

The City's ending General Fund balance increased \$136,963 or 14.52% to \$1,080,403

Capital Assets

The City had net investments of \$12,822,523 in capital assets at the end of this fiscal reporting period. These assets include municipally-owned buildings and land, public safety equipment (police and firefighting equipment and vehicles), recreational facilities and water and sewer infrastructure (water towers, pump stations, underground distribution and collection systems, etc.). While the City has acquired the software to inventory its public roads and sidewalks, the actual inventory has not been completed. Once this task is fulfilled, the reported assets of the City will increase significantly.

Long Term Debt

At year end, the City (excluding its component units) had \$3,124,233 in outstanding bonds and notes, a decrease of \$421,886 from the previous fiscal year. Bond indebtedness is the result of bonds sold by the City to finance various public improvement projects over the years, to include the construction of wastewater treatment facilities, expansion of the existing sanitary sewer and water distribution systems and most recently the construction of a new public safety building.

Economic Factors and Next Year's Budget

Economic Factors

- Though state revenue sharing has increased during the past two fiscal years it continues to be a concern with potential downward trends being anticipated as the state government continues to work on its budget deficits. Elected officials and staff of the City of Clare recognize the impact that this issue could have on the City and therefore have continued to proactively increase other revenue sources, reduce overall debt and remaining vigilant in reducing overall expenses.
- A number of local industrial firms continue to make significant investments in their respective businesses in Clare – most notably, JD Metalworks, Letherer Truss, and Stageright have continued to make significant commitments to future expansion and further development of their existing manufacturing ventures. The City's primary industrial park is now at maximum capacity and additional property must be purchased to continue the City's future industrial development.
- The local housing market has remained relatively unchanged with only a handful of new housing starts during the City's fiscal year.
- The cost of employee health care is expected to continue to increase at a rate exceeding inflation.

2007/2008 Budget

The City adopted its 2007/2008 budget on June 4, 2007. Approved appropriations were commensurate with those of the City's 2006/2007 adopted budget. As a general rule, only consumer price index and labor contract mandated increases were made in the new budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide the citizens of the City of Clare, taxpayers, customers, investors and creditors with a general overview of the City's finances. It is intended to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or would like additional information please contact City Manager Ken Hibl or Treasurer and Finance Director Steven J. Kingsbury.

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CITY OF CLARE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 720,359	\$ 69,441	\$ 789,800	\$ 481,569
Investments	879,000	1,175,000	2,054,000	-
Accounts and grants receivable, net	228,345	215,912	444,257	-
Assessments receivable, net	93,839	312,016	405,855	-
Other assets	-	-	-	92
Due from other funds	42,529	-	42,529	111
Due from other governmental units	72,453	-	72,453	-
Inventory	18,445	4,507	22,952	-
Prepaid items	103,111	21,574	124,685	350
Restricted cash	-	25,000	25,000	-
Capital assets:				
Land	3,740,287	53,389	3,793,676	124,626
Construction in progress	-	103,416	103,416	-
Land improvements, net	96,759	51,725	148,484	267,360
Buildings and improvements, net	1,727,647	1,801,565	3,529,212	-
Equipment, net	502,232	108,649	610,881	-
Vehicles, net	712,434	-	712,434	-
Infrastructure, net	-	3,924,420	3,924,420	-
Total capital assets	6,779,359	6,043,164	12,822,523	391,986
Total assets	8,937,440	7,866,614	16,804,054	874,108
LIABILITIES				
Accounts payable	59,632	6,978	66,610	8,061
Accrued expenses	70,455	28,750	99,205	-
Due to other funds	42,339	-	42,339	-
Due to other governmental units	20,578	-	20,578	33,366
Deferred revenue	93,839	312,016	405,855	-
Deposits and other liabilities	1,350	11,800	13,150	-
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and contracts payable	42,000	369,000	411,000	120,000
Capital leases	32,992	-	32,992	-
Portion due or payable after one year:				
Bonds and contracts payable	826,000	1,819,000	2,645,000	850,000
Capital leases	35,241	-	35,241	-
Total liabilities	1,224,426	2,547,544	3,771,970	1,011,427
NET ASSETS				
Invested in capital assets, net of related debt	5,843,126	3,855,164	9,698,290	(238,014)
Restricted for:				
Debt service	-	25,000	25,000	-
Unrestricted	1,869,888	1,438,906	3,308,794	100,695
Total net assets	\$ 7,713,014	\$ 5,319,070	\$ 13,032,084	\$ (137,319)

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Governmental:								
General government	\$ 1,083,410	\$ 777,247	\$ 106,900		\$ (199,263)		\$ (199,263)	
Public safety	1,009,458	157,063	5,638		(846,757)		(846,757)	
Public works	761,770	5,000			(756,770)		(756,770)	
Community development	194,842			267,758	72,916		72,916	
Recreation and culture	390,869				(390,869)		(390,869)	
Total governmental activities	3,440,349	939,310	112,538	267,758	(2,120,743)		(2,120,743)	
Business-type:								
Sewer	856,789	973,054	-	-		\$ 116,265	116,265	
Water	548,088	373,570	-	1,125		(173,393)	(173,393)	
Total business-type activities	1,404,877	1,346,624	-	1,125		(57,128)	(57,128)	
Total Primary Government	<u>\$ 4,845,226</u>	<u>\$ 2,285,934</u>	<u>\$ 112,538</u>	<u>\$ 268,883</u>	<u>(2,120,743)</u>	<u>(57,128)</u>	<u>(2,177,871)</u>	
Component units:								
Downtown Development Authority	351,570	3,640	8,776	-				\$ (339,154)
Local Development Finance Authority	18,324	-	-	-				(18,324)
Total governmental-type activities	<u>\$ 369,894</u>	<u>\$ 3,640</u>	<u>\$ 8,776</u>	<u>\$ -</u>				<u>(357,478)</u>
General revenues:								
Property taxes and related fees					1,441,751	-	1,441,751	390,020
State aid					681,986	-	681,986	-
Interest earnings					98,945	85,596	184,541	9,747
Transfers					43,199	(43,199)	-	-
Miscellaneous					56,908	183,253	240,161	-
Total general revenues and transfers					<u>2,322,789</u>	<u>225,650</u>	<u>2,548,439</u>	<u>399,767</u>
Change in net assets					202,046	168,522	370,568	42,289
Net assets-beginning					7,510,968	5,150,548	12,661,516	(179,608)
Net assets-ending					<u>\$ 7,713,014</u>	<u>\$ 5,319,070</u>	<u>\$ 13,032,084</u>	<u>\$ (137,319)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 562,588	\$ 4,108	\$ 15,828	\$ 12,606	\$ 79,681	\$ 674,811
Investments	400,000	-	-	175,000	304,000	879,000
Accounts and grants receivable, net	126,393	-	-	24,544	75,385	226,322
Assessment receivable, net	46,250	10,403	23,768	-	13,418	93,839
Due from other funds	187	-	17,503	-	-	17,690
Due from other governmental units	-	61,072	11,381	-	-	72,453
Inventory	5,324	-	-	2,048	-	7,372
Prepaid items	71,851	2,309	3,231	5,975	162	83,528
	<u>71,851</u>	<u>2,309</u>	<u>3,231</u>	<u>5,975</u>	<u>162</u>	<u>83,528</u>
Total assets	<u>\$ 1,212,593</u>	<u>\$ 77,892</u>	<u>\$ 71,711</u>	<u>\$ 220,173</u>	<u>\$ 472,646</u>	<u>\$ 2,055,015</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 31,604	\$ 25,951	\$ 339	\$ 504	\$ 338	\$ 58,736
Accrued expenses	32,408	1,798	2,763	29,869	142	66,980
Due to other funds	-	17,500	24,839	-	-	42,339
Due to other governmental units	20,578	-	-	-	-	20,578
Deposits and other liabilities	1,350	-	-	-	-	1,350
Deferred revenue	46,250	10,403	23,768	-	13,418	93,839
Total liabilities	<u>132,190</u>	<u>55,652</u>	<u>51,709</u>	<u>30,373</u>	<u>13,898</u>	<u>283,822</u>
Fund balances:						
Reserved for:						
Inventories	5,324	-	-	2,048	-	7,372
Prepaid expenditures	71,851	2,309	3,231	5,975	-	83,366
Unreserved and undesignated	1,003,228	19,931	16,771	181,777	458,748	1,680,455
Total fund balances	<u>1,080,403</u>	<u>22,240</u>	<u>20,002</u>	<u>189,800</u>	<u>458,748</u>	<u>1,771,193</u>
Total liabilities and fund balances	<u>\$ 1,212,593</u>	<u>\$ 77,892</u>	<u>\$ 71,711</u>	<u>\$ 220,173</u>	<u>\$ 472,646</u>	<u>\$ 2,055,015</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances for governmental funds (Exhibit 4) \$ 1,771,193

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	3,740,287	
Land improvements, net of \$12,509 accumulated depreciation		96,759	
Buildings and improvements, net of \$775,503 accumulated depreciation		1,727,647	
Equipment, net of \$870,643 accumulated depreciation		502,232	
Vehicles, net of \$935,137 accumulated depreciation		712,434	
Total capital assets		6,779,359	6,779,359

The internal service funds (see Exhibit 6) are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds.

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The internal service fund's unrestricted net assets are: 98,695

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.
Balances at June 30, 2005 are:

Capital lease obligation	\$	(68,233)	
Installment purchase contract		(108,000)	
2004 General Obligation Limited Tax Bond		(760,000)	(936,233)

Total net assets of governmental activities (Exhibit 2) \$ 7,713,014

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended June 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES						
Property taxes and related fees	\$ 1,368,782	\$ -	\$ 54,727	\$ -	\$ 18,242	\$ 1,441,751
Licenses and permits	19,878	-	-	-	-	19,878
Federal aid	18,387	-	-	-	75,385	93,772
State aid	392,654	212,706	76,626	-	-	681,986
Charges for services	287,699	-	-	157,063	8,879	453,641
Interest and dividends	59,320	2,170	4,725	6,685	18,589	91,489
Rents and royalties	22,063	-	-	-	-	22,063
Fines and forfeits	32,092	-	-	-	-	32,092
Special assessments, net	11,043	946	4,054	-	5,761	21,804
Donations	59,513	-	-	5,638	221,373	286,524
Miscellaneous	11,412	30,853	418	604	21	43,308
Total revenues	<u>2,282,843</u>	<u>246,675</u>	<u>140,550</u>	<u>169,990</u>	<u>348,250</u>	<u>3,188,308</u>
EXPENDITURES						
General government	479,680	-	-	-	-	479,680
Public safety	777,344	-	-	133,900	300	911,544
Public works	320,869	176,608	236,143	-	24,732	758,352
Community development	42,032	-	-	-	152,810	194,842
Recreation and culture	373,163	-	-	-	-	373,163
Capital outlay	128,070	-	-	10,010	-	138,080
Debt service	29,000	-	-	67,271	49,875	146,146
Total expenditures	<u>2,150,158</u>	<u>176,608</u>	<u>236,143</u>	<u>211,181</u>	<u>227,717</u>	<u>3,001,807</u>
Excess (deficiency) of revenues over expenditures	<u>132,685</u>	<u>70,067</u>	<u>(95,593)</u>	<u>(41,191)</u>	<u>120,533</u>	<u>186,501</u>
OTHER FINANCING SOURCES (USES)						
Transfers-in	363,263	-	88,728	95,159	49,875	597,025
Transfers-out	<u>(358,985)</u>	<u>(80,495)</u>	<u>(8,257)</u>	<u>(29,992)</u>	<u>(51,322)</u>	<u>(529,051)</u>
Total other financing sources and uses	<u>4,278</u>	<u>(80,495)</u>	<u>80,471</u>	<u>65,167</u>	<u>(1,447)</u>	<u>67,974</u>
Net change in fund balances	136,963	(10,428)	(15,122)	23,976	119,086	254,475
Fund balances-beginning	<u>943,440</u>	<u>32,668</u>	<u>35,124</u>	<u>165,824</u>	<u>339,662</u>	<u>1,516,718</u>
Fund balances-ending	<u>\$ 1,080,403</u>	<u>\$ 22,240</u>	<u>\$ 20,002</u>	<u>\$ 189,800</u>	<u>\$ 458,748</u>	<u>\$ 1,771,193</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2007

Net change in fund balances - total governmental funds (Exhibit 5)	\$	254,475
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$138,080) exceeded depreciation (\$147,365) and a loss on disposal (\$3,418) in the current period.		(12,703)
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Installment purchase contract	\$	27,000	
2004 General Obligation Limited Tax Bond		15,000	
Capital lease obligation		30,885	72,885

The internal service funds (see exhibit 7) are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. The net change of the internal service funds is reported within the governmental activities.		(112,611)
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Change in net assets of governmental activities (Exhibit 3)	\$	202,046
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The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
PROPRIETARY FUND STATEMENT OF NET ASSETS
June 30, 2007

	Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 34,355	\$ 35,086	\$ 69,441	\$ 45,548
Investments	825,000	350,000	1,175,000	-
Accounts receivable, net	131,855	84,057	215,912	2,023
Assessments receivable	272,553	39,463	312,016	-
Due from other funds	-	-	-	24,839
Inventory	1,553	2,954	4,507	11,073
Prepaid items	11,123	10,451	21,574	19,583
Total current assets	<u>1,276,439</u>	<u>522,011</u>	<u>1,798,450</u>	<u>103,066</u>
Noncurrent assets:				
Restricted cash	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	59,480	43,936	103,416	-
Land improvements, net	51,725	-	51,725	-
Buildings and improvements, net	1,760,166	41,399	1,801,565	175,196
Equipment, net	104,777	3,872	108,649	217,778
Infrastructure, net	<u>2,727,837</u>	<u>1,196,583</u>	<u>3,924,420</u>	<u>178,427</u>
Total capital assets	<u>4,714,742</u>	<u>1,328,422</u>	<u>6,043,164</u>	<u>656,401</u>
Total assets	<u>6,016,181</u>	<u>1,850,433</u>	<u>7,866,614</u>	<u>759,467</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,358	2,620	6,978	896
Accrued expenses	19,787	8,963	28,750	3,475
Deposits and other liabilities	11,800	-	11,800	-
Deferred revenue	272,553	39,463	312,016	-
Bonds and contracts payable	<u>344,000</u>	<u>25,000</u>	<u>369,000</u>	<u>-</u>
Total current liabilities	<u>652,498</u>	<u>76,046</u>	<u>728,544</u>	<u>4,371</u>
Noncurrent liabilities				
Bonds and contracts payable	<u>1,469,000</u>	<u>350,000</u>	<u>1,819,000</u>	<u>-</u>
Total noncurrent liabilities	<u>1,469,000</u>	<u>350,000</u>	<u>1,819,000</u>	<u>-</u>
Total liabilities	<u>2,121,498</u>	<u>426,046</u>	<u>2,547,544</u>	<u>4,371</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,901,742	909,486	3,855,164	656,401
Restricted for debt obligations	25,000	-	25,000	-
Unrestricted	<u>967,941</u>	<u>514,901</u>	<u>1,438,906</u>	<u>98,695</u>
Total net assets	<u>\$ 3,894,683</u>	<u>\$ 1,424,387</u>	<u>\$ 5,319,070</u>	<u>\$ 755,096</u>

The accompanying notes are an integral part of these financial statements.

CTTY OF CLARE
PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2007

	Enterprise Funds			Internal Service
	Sewer Fund	Water Fund	Total	Funds
OPERATING REVENUES				
Charges for services	\$ 924,941	\$ 354,004	\$ 1,278,945	\$ 389,832
Gain (loss) on sale of assets	-	-	-	2,737
Miscellaneous	4,821	1,152	5,973	10,863
Total operating revenues	929,762	355,156	1,284,918	403,432
OPERATING EXPENSES				
Salaries and wages	121,399	147,059	268,458	73,122
Payroll taxes	8,897	10,802	19,699	5,658
Employee benefits	39,414	44,428	83,842	32,303
Retirement	11,820	13,557	25,377	6,079
Supplies	52,001	44,465	96,466	97,089
Postage	-	-	-	5,862
Professional and contracted services	48,426	41,505	89,931	36,683
Insurance	6,159	2,301	8,460	16,759
Telephone and communications	3,051	2,472	5,523	1,005
Travel, meals and lodging	-	-	-	51
Professional development	1,440	2,384	3,824	688
Utilities	83,466	53,238	136,704	15,848
Repair and maintenance	40,933	52,796	93,729	55,098
Equipment rental	84,912	61,307	146,219	-
Miscellaneous	-	2,280	2,280	2,275
Depreciation	258,536	48,021	306,557	150,204
Total operating expenses	760,454	526,615	1,287,069	498,724
Operating income (loss)	169,308	(171,459)	(2,151)	(95,292)
NONOPERATING REVENUES (EXPENSES)				
Special assessments	48,113	19,566	67,679	-
Investment earnings	61,167	24,429	85,596	7,456
Other revenue	-	177,279	177,279	-
Interest expense	(96,335)	(21,473)	(117,808)	-
Total nonoperating revenue (expenses)	12,945	199,801	212,746	7,456
Income (loss) before transfers	182,253	28,342	210,595	(87,836)
Contributions from other governmental units	-	1,125	1,125	-
Transfers in	-	35,319	35,319	-
Transfers (out)	(55,296)	(23,222)	(78,518)	(24,775)
Changes in net assets	126,957	41,564	168,521	(112,611)
Total net assets-beginning	3,767,726	1,382,823	5,150,549	867,707
Total net assets-ending	\$ 3,894,683	\$ 1,424,387	\$ 5,319,070	\$ 755,096

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
PROPRIETARY FUND STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

	Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 922,885	\$ 343,487	\$ 1,266,372	\$ 405,091
Payments to suppliers	(229,025)	(190,008)	(419,033)	(229,376)
Payments to employees	(184,029)	(217,100)	(401,129)	(117,373)
Internal activity-payments from (to) other funds	(84,912)	(61,307)	(146,219)	-
Net cash provided (used) by operating activities	424,919	(124,928)	299,991	58,342
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Contributions from other governmental units	-	1,125	1,125	-
Nonoperating revenue (expense)	-	177,279	177,279	-
Interfund loans-proceeds and collections	(55,234)	12,145	(43,089)	(42,585)
Net cash provided by noncapital financing activities	(55,234)	190,549	135,315	(42,585)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases and construction of capital assets	(54,115)	(130,741)	(184,856)	(208,844)
Proceeds from special assessments	48,113	19,566	67,679	-
Principal paid on capital debt	(324,000)	(25,000)	(349,000)	-
Interest paid on capital debt	(96,335)	(21,473)	(117,808)	-
Net cash used by capital and related financing activities	(426,337)	(157,648)	(583,985)	(208,844)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchase/sales of investments	-	100,000	100,000	175,000
Interest and dividends	61,167	24,429	85,596	7,456
Net cash provided by investing activities	61,167	124,429	185,596	182,456
Net increase in cash and cash equivalents	4,515	32,402	36,917	(10,631)
Balances-beginning of the year	54,840	2,684	57,524	56,179
Balances-end of the year	\$ 59,355	\$ 35,086	\$ 94,441	\$ 45,548
Displayed as:				
Cash and cash equivalents	\$ 34,355	\$ 35,086	\$ 69,441	\$ 45,548
Restricted cash	25,000	-	25,000	-
	\$ 59,355	\$ 35,086	\$ 94,441	\$ 45,548
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 169,308	\$ (171,459)	\$ (2,151)	\$ (95,292)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	258,536	48,021	306,557	150,204
Change in assets and liabilities:				
Receivables, net	(6,877)	(11,669)	(18,546)	1,659
Inventory	14,396	16,923	31,319	16,412
Prepaid items	(2,940)	(4,236)	(7,176)	(1,287)
Accounts payable	(7,655)	(1,254)	(8,909)	(13,143)
Accrued expenses	(2,499)	(1,254)	(3,753)	(211)
Deposits and other liabilities	2,650	-	2,650	-
Net cash provided (used) by operating activities	\$ 424,919	\$ (124,928)	\$ 299,991	\$ 58,342

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2007

	<u>General Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Payroll Imprest Fund</u>	<u>Health Resource Account Fund</u>
ASSETS				
Cash and cash equivalents		\$ 2,199	\$ 17,477	\$ 7,317
Other assets		-	-	
Total assets	-	2,199	17,477	7,317
LIABILITIES				
Due to other governmental units		\$ 1,897	\$ 3,546	\$ -
Due to component units		111	-	-
Due to other funds		191	-	-
Due to others		-	13,931	7,317
Total liabilities	-	2,199	17,477	7,317
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLARE
COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
June 30, 2007

	Downtown Development Authority	Local Development Finance Authority	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 227,429	\$ 254,140	\$ 481,569
Taxes receivable	92	-	92
Due from other funds	111	-	111
Prepaid items	350	-	350
Total current assets	<u>227,982</u>	<u>254,140</u>	<u>482,122</u>
Noncurrent assets:			
Capital assets:			
Land	124,626	-	124,626
Land improvements, net	267,360	-	267,360
Equipment, net	-	-	-
Total capital assets	<u>391,986</u>	<u>-</u>	<u>391,986</u>
Total assets	<u>619,968</u>	<u>254,140</u>	<u>874,108</u>
LIABILITIES			
Liabilities:			
Accounts payable	8,061	-	8,061
Due to other governmental units	33,366	-	33,366
Bonds and contracts payable	70,000	50,000	120,000
Total current liabilities	<u>111,427</u>	<u>50,000</u>	<u>161,427</u>
Noncurrent liabilities			
Bonds and contracts payable	560,000	290,000	850,000
Total noncurrent liabilities	<u>560,000</u>	<u>290,000</u>	<u>850,000</u>
Total liabilities	<u>671,427</u>	<u>340,000</u>	<u>1,011,427</u>
NET ASSETS			
Invested in capital assets, net of related debt	(238,014)	-	(238,014)
Unrestricted	186,555	(85,860)	100,695
Total net assets	<u>\$ (51,459)</u>	<u>\$ (85,860)</u>	<u>\$ (137,319)</u>

CITY OF CLARE
COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Total
	Expenses						
Downtown Development Authority							
Community and economic development	\$ 351,570	\$ 3,640	\$ 8,776	\$ -	\$ (339,154)	\$ -	\$ (339,154)
Local Development Finance Authority							
Community and economic development	18,324	-	-	-	-	(18,324)	(18,324)
Total activities	<u>\$ 369,894</u>	<u>\$ 3,640</u>	<u>\$ 8,776</u>	<u>\$ -</u>	<u>(339,154)</u>	<u>(18,324)</u>	<u>(357,478)</u>
General revenues:							
Tax increment					214,143	175,877	390,020
Interest earnings					-	9,747	9,747
Miscellaneous					-	-	-
Total general revenues					<u>214,143</u>	<u>185,624</u>	<u>399,767</u>
Change in net assets					<u>(125,011)</u>	<u>167,300</u>	<u>42,289</u>
Net assets-beginning					<u>73,552</u>	<u>(253,160)</u>	<u>(179,608)</u>
Net assets-ending					<u>\$ (51,459)</u>	<u>\$ (85,860)</u>	<u>\$ (137,319)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

A. Reporting Entity

The City of Clare (the “City”) is governed by an elected five-member commission. The City provides services to its various residents in many areas, including law enforcement, health and sanitation, community enrichment and development and human services. As required by GAAP, these financial statements present the City and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, “*The Financial Reporting Entity*.”

The individual component unit discussed below is included in the City’s reporting entity because of the significance of its operational or financial relationships with the City.

Discretely Presented Component Units

The following component unit is reported within the “component unit” column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete.

Local Development Finance Authority (LDFA) - The LDFA was created to help finance local industrial development projects. The Authority’s governing body, which consists of 9 members, is selected by the City Commission. In addition, the Authority’s budget is subject to approval by the City Commission. The LDFA does not issue separate financial statements.

Downtown Development Authority (DDA) - The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body, which consists of 12 members, is selected by the City Commission. The City Commission approves the annual budget of the DDA. The DDA does not issue separate financial statements.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial information of the individual component units can be obtained from the from the City's Finance Director.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenue susceptible to accrual include: property taxes, state revenue sharing, reimbursement type grants, charges for services, and interest income.

The City property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st.

The 2006 taxable valuation of the City totaled \$86.1 million (\$8.24 million of which relates to an Industrial Facilities Tax designation), on which ad valorem taxes levied consisted of 17.50 mills for City operating purpose, 0.75 mills for streets, 0.25 for sidewalks, and 0.75 for parks. These amounts are recognized in the General Fund, Local Street Fund and Sidewalk Replacement Fund as property taxes and related fees.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Major Street Fund accounts for the receipt and expenditures of State motor fuel taxes which are earmarked by law for major street and highway purposes.

The Local Street Fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law for local street and highway purposes.

The Fire Department Fund is used to account for the activities related for fire protection for the City and neighboring communities.

The government reports the following major proprietary funds:

The Sewer Fund is used to record the revenues and expenses for the operation of the sewer system. Capital assets are recorded within the fund and depreciation is charged.

The Water Fund is used to record the revenues and expenses for the operation of the water system. Capital assets are recorded within the fund and depreciation is charged.

Additionally, the government reports the following fund types:

The Data Processing Fund is an internal service fund, which accounts for the operation of the data processing function within the City. Money for the operation of this fund is supplied from reimbursements from user departments.

The Mobile Equipment Fund is an internal service fund, which accounts for major machinery and equipment purchases and maintenance to provide services to other departments of the City on a cost reimbursement basis.

Agency Funds account for assets held for other governments and other city funds in an agency capacity, including tax collections and payroll and benefit administration.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”.

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets—The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Sewer and water systems	50 years
Vehicles	3 to 5 years
Equipment	7 to 10 years

Deferred Revenue—Deferred revenue represent amounts that do not meet the availability criteria for recognition as revenue, such as grant monies received before the expenditure is incurred, and special assessments before the assessment is received.

Compensated Absences (Vacation and Sick Leave)—Vacation and sick leave benefits attributable to the City's governmental funds are recorded as an expenditure and a current liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund is recorded. Annual vacation and sick leave does not carryover; it must be used or it is lost.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if any, of fund balance represent tentative management plans that are subject to change.

Encumbrances—Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Annual Informational Budget Summaries are prepared for Debt Service Funds, Capital Project Funds, Enterprise Funds and Internal Service Funds.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- Budgets can be amended during the year by a majority vote of the City Commission. The activity level in the General Fund and the fund level in the Special Revenue Funds are the the legal level of control.
- Budgets for the General Fund and Special Revenue Funds are prepared on a modified accrual basis. Also, informational budgets for the Debt Service Funds and Capital Projects Funds are prepared on the modified accrual basis, while the Enterprise Fund and Internal Service Fund informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- Budget appropriations lapse at year end.
- The original budget was amended during the year in compliance with local and state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City.

B. Excess of Expenditures Over Appropriations for Budgetary Funds

During the year the City incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund – Board of Review	\$ 986	\$ 1,560	\$ (574)
General Fund – Building Inspection	53,693	55,030	(1,337)
General Fund – Solid Waste	165,154	165,597	(443)
General Fund – Street Lights	65,164	66,132	(968)
Major Streets – Street Maintenance	62,010	68,988	(6,978)
Major Streets – Administration	12,305	12,884	(579)
Major Streets – State Trunkline	70,479	94,736	(24,257)
Local Streets – Street Maintenance	161,177	168,098	(6,921)
Local Streets – Administration	11,884	12,943	(1,059)
Fire Fund – Capital Outlays	-	10,010	(10,010)
General Fund – Capital Outlays	45,000	45,695	(695)
General Fund – Capital Outlays	-	7,773	(7,773)

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 3. INVESTMENTS AND DEPOSITS

A. Investments

Under its investment policy, the City restricts its investments to bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of an financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

As of June 30, 2007 the City of Clare had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity</u>
Repurchase Agreements	<u>\$ 2,050,000</u>	<u>11 Months</u>

Interest Rate Risk-Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed five years to maturity.

Credit Risk-Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's current investment policy does specify a credit risk rating to be maintained.

Concentration of Credit Risk-The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The City's investments include \$2,050,000 of repurchase agreements with Chemical Bank & Trust Company with the underlying issuer an agency of the United States.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 3. INVESTMENTS AND DEPOSITS (Continued)

Custodial Risk-For an investment, is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are repurchase agreements with an agency of the United States government as the underlying issuer.

B. Deposits

The City restricts its deposits to banks, savings and loans associations or credit unions, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of this State of the United States. The City Commission has authorized the following financial institutions as depositories for the City of Clare: Chemical Bank & Trust Company-Clare, Isabella Bank-Clare and Firstbank-Clare.

Custodial Credit Risk-For a deposit, is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are:

- Uncollateralized
- Collateralized with securities held by the pledging financial institution, or
- Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the name of the local government unit.

C. Year End Deposits

At June 30, 2007, deposits consisted of the following amounts:

<u>Financial Institution</u>	<u>Carrying Amount</u>	<u>Percentage of Deposits</u>
Chemical Bank & Trust Company - Clare	\$ 1,107,011	63.33%
Isabella Bank - Clare	100,000	16.60%
Firstbank - Clare	69,382	16.55%
Deposits held by others	21,619	3.46%
Petty cash and cash on hand	350	0.06%
Total	<u>\$ 1,298,362</u>	<u>100.00%</u>

CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. INVESTMENTS AND DEPOSITS (Continued)

	Carrying Amount			
	Primary Government	Component Units	Fiduciary Funds	Total
Petty cash and cash on hand	\$ 350	\$ -	\$ -	\$ 350
Bank deposits	667,831	481,569	26,993	1,176,393
Certificates of deposit	100,000	-	-	100,000
Cash held by others	21,619	-	-	21,619
	<u>\$ 789,800</u>	<u>\$ 481,569</u>	<u>\$ 26,993</u>	<u>\$ 1,298,362</u>

The bank balances of the primary government deposits is \$676,610, of which \$169,382 is covered by federal deposit insurance. The component unit's deposits had bank balances of \$482,450, of which \$100,000 is covered by federal deposit insurance. The repurchase agreements are not insured by federal deposit insurance and the City's interest in the underlying government security is not perfected.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 3,740,287	\$ -	\$ -	\$ 3,740,287
Subtotal	<u>3,740,287</u>	<u>-</u>	<u>-</u>	<u>3,740,287</u>
Capital Assets Being Depreciated				
Land Improvements	76,667	32,601	-	109,268
Buildings and Improvements	2,483,697	19,453	-	2,503,150
Equipment and Vehicles	2,766,475	294,154	(40,184)	3,020,445
Subtotal	<u>5,326,839</u>	<u>346,208</u>	<u>(40,184)</u>	<u>5,632,863</u>
Less Accumulated Depreciation for				
Land Improvements	6,587	5,922	-	12,509
Buildings and Improvements	697,283	78,220	-	775,503
Equipment and Vehicles	1,629,833	213,427	(37,481)	1,805,779
Subtotal	<u>2,333,703</u>	<u>297,569</u>	<u>(37,481)</u>	<u>2,593,791</u>
Net Capital Assets Being Depreciated	<u>2,993,136</u>	<u>48,639</u>	<u>(2,703)</u>	<u>3,039,072</u>
Governmental Activities Capital Assets— Net of Depreciation	<u>\$ 6,733,423</u>	<u>\$ 48,639</u>	<u>\$ (2,703)</u>	<u>\$ 6,779,359</u>

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4. CAPITAL ASSETS (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 53,389	\$ -	\$ -	\$ 53,389
Construction in Progress	44,805	58,611	-	103,416
Subtotal	98,194	58,611	-	156,805
Capital Assets Being Depreciated				
Land Improvements	412,516	-	-	412,516
Buildings and Improvements	4,373,927	-	-	4,373,927
Equipment	517,309	3,148	-	520,457
Infrastructure	6,636,737	123,097	-	6,759,834
Subtotal	11,940,489	126,245	-	12,066,734
Less Accumulated Depreciation for				
Land Improvements	358,925	1,866		360,791
Buildings and Improvements	2,445,447	126,915	-	2,572,362
Equipment	394,141	17,667	-	411,808
Infrastructure	2,675,305	160,109	-	2,835,414
Subtotal	5,873,818	306,557	-	6,180,375
Net Capital Assets Being Depreciated	6,066,671	(121,701)	-	5,886,359
Business-Type Activities Capital Assets–Net of Depreciation	\$ 6,164,865	\$ (121,701)	\$ -	\$ 6,043,164

Depreciation expense was charged to programs of the City as follows:

<u>Governmental Activities</u>	
General Government	\$ 41,131
Public Safety	88,528
Recreation and Culture	17,706
Internal Service Funds	150,204
Total Governmental Activities	<u>\$ 297,569</u>

<u>Business-Type Activities</u>	
Sewer	\$ 258,536
Water	48,021
Total Business-Type Activities	<u>\$ 306,557</u>

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables as of June 30, 2007:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 184	Major Street	\$ 17,500
Local Street	17,503	Local Street	24,839
Parks and Recreation	3	Tax Collection	191
Sidewalks	1		
Mobile Equipment	24,839		
Total	<u>\$ 42,530</u>	Total	<u>\$ 42,530</u>

Fund	Transfers Out	Fund	Transfers In
General	\$ 353,580	General	\$ 191,314
Cemetery	50,000	Local Street	88,728
Major Street	80,495	Fire Department	95,159
Local Street	8,257	Parks and Recreation	171,949
Fire Department	29,992	Public Safety	49,875
Parks and Recreation	5,405	Water	35,319
Sidewalks	1,322		
Sewer	55,296		
Water	23,222		
Data Processing	1,346		
Mobile Equipment	23,429		
Total	<u>\$ 632,344</u>	Total	<u>\$ 632,344</u>

Interfund transfers include transfer of unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual agreements can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Capital Lease	6.82%	2008	\$ 99,118	\$ (30,885)	\$ 68,233	\$ 32,992
Installment purchase	3.89%	2010	135,000	(27,000)	108,000	27,000
2004 General Obligation Limited Tax Bonds	4.50%	2034	775,000	(15,000)	760,000	15,000
			<u>\$ 1,009,118</u>	<u>\$ (72,885)</u>	<u>\$ 936,233</u>	<u>\$ 74,992</u>
Business-Type Activities						
Sewer Revenue Bonds	5.00%	2030	\$ 387,000	\$ (4,000)	\$ 383,000	\$ 4,000
2002 General Obligation Limited Tax Bonds	2.50 to 4.125%	2010	845,000	(255,000)	590,000	270,000
Contract Payable	4.00 to 5.85%	2021	445,000	(20,000)	425,000	20,000
2000 General Obligation Limited Tax Bonds	4.95 to 5.55%	2018	245,000	(20,000)	225,000	25,000
2000 General Obligation Limited Tax Bonds	4.75 to 5.55%	2015	215,000	(25,000)	190,000	25,000
Contract Payable	4.00 to 5.85%	2021	400,000	(25,000)	375,000	25,000
			<u>\$ 2,537,000</u>	<u>\$ (349,000)</u>	<u>\$ 2,188,000</u>	<u>\$ 369,000</u>
Component Units						
1990 DDA Bonds	6.10 to 7.45%	2010	\$ 85,000	\$ (20,000)	\$ 65,000	\$ 20,000
1992 DDA Bonds	5.25 to 6.40%	2010	140,000	(30,000)	110,000	35,000
2006 DDA Bonds	3.85 to 4.55 %	2024	-	455,000	455,000	15,000
1998 Contract Payable	4.05 to 5.10%	2012	385,000	(45,000)	340,000	50,000
			<u>\$ 610,000</u>	<u>\$ 360,000</u>	<u>\$ 970,000</u>	<u>\$ 120,000</u>

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 6. LONG-TERM DEBT (Continued)

Scheduled principal maturities for years subsequent to June 30, 2007 are as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities	Component Units
2008	\$ 74,992	\$ 369,000	\$ 120,000
2009	78,241	419,000	120,000
2010	43,000	103,000	137,000
2011	44,000	108,000	79,000
2012	17,000	115,000	81,000
2013-2017	101,000	482,000	180,000
2018-2022	127,000	389,000	144,000
2023-2027	160,000	114,000	109,000
2028-2032	198,000	89,000	-
2033-2034	93,000	-	-
Total	<u>\$ 936,233</u>	<u>\$ 2,188,000</u>	<u>\$ 970,000</u>

Scheduled interest requirements for years subsequent to June 30, 2007 are as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities,	Component Units
2008	\$ 43,055	\$ 103,353	\$ 53,933
2009	39,034	92,605	39,815
2010	34,861	74,419	32,859
2011	33,045	68,812	24,850
2012	31,230	63,025	21,040
2013-2017	142,875	224,446	69,386
2018-2022	116,865	109,665	40,821
2023-2027	83,880	40,050	7,531
2028-2032	42,885	9,050	-
2033-2034	3,510	-	-
Total	<u>\$ 571,240</u>	<u>\$ 785,425</u>	<u>\$ 290,235</u>

Interest and fiscal charges for the year totaled \$191,069 for the primary governmental unit and \$33,545 for the component units; no interest costs were capitalized.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 7. CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the purchase of a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligation and the net present value is as follows:

	<u>Year Ended June 30</u>	
	2008	\$ 37,645
	2009	<u>37,645</u>
Total Minimum Lease Payments		75,290
Less: Amount Representing Interest		<u>7,057</u>
Present Value		<u><u>\$ 68,233</u></u>

NOTE 8. SEGMENT INFORMATION

The City has issued bonds to finance sewer and water system improvements. Summary financial information for the sewer and water departments are presented below:

Condensed Statement of Net Assets:

	<u>Sewer</u>	<u>Water</u>
Assets		
Current Assets	\$ 1,276,439	\$ 522,011
Restricted Assets	25,000	-
Capital Assets	<u>4,714,742</u>	<u>1,328,422</u>
Total Assets	<u>6,016,181</u>	<u>1,850,433</u>
Liabilities		
Current Liabilities	652,498	76,046
Noncurrent Liabilities	<u>1,469,000</u>	<u>350,000</u>
Total Liabilities	<u>2,121,498</u>	<u>426,046</u>
Net Assets		
Invested in Capital Assets	2,901,742	909,486
Restricted	25,000	-
Unrestricted	<u>967,941</u>	<u>514,901</u>
Total Net Assets	<u><u>\$ 3,894,683</u></u>	<u><u>\$ 1,424,387</u></u>

CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 8. SEGMENT INFORMATION (Continued)

Condensed Statement of Revenue, Expenses, and Changes in Net Assets:

	Sewer	Water
Operating Revenues	\$ 929,762	\$ 355,156
Depreciation Expense	(258,536)	(48,021)
Other Operating Expenses	(501,918)	(478,594)
Operating Income (Loss)	169,308	(171,459)
Nonoperating Revenue (Expense)		
Investment Earnings	61,167	24,429
Interest Expense	(96,335)	(21,473)
Other Income and transfers	(7,183)	210,067
Change in Net Assets	126,957	41,564
Beginning Net Assets	3,767,726	1,382,823
Total Net Assets	<u>\$ 3,894,683</u>	<u>\$ 1,424,387</u>

Condensed Statement of Cash Flows:

	Sewer	Water
Net Cash Provided by (Used in)		
Operating Activities	\$ 424,919	\$ (124,928)
Noncapital Financing Activities	(55,234)	190,549
Capital and Related Financing Activities	(426,337)	(157,648)
Investing Activities	61,167	124,429
Net Increase (Decrease)	4,515	32,402
Beginning Cash and Cash Equivalents	54,840	2,684
Ending Cash and Cash Equivalents	<u>\$ 59,355</u>	<u>\$ 35,086</u>

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League risk pool program, which operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 10. DEFERRED COMPENSATION PLAN

The City offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The assets of the plans were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the City for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City's financial statements.

A summary of the plan's investment activity for the year ended June 30, 2007, follows:

Balance – July 1, 2006	\$ 272,482
Employee Contributions	40,399
Transfers	67,546
Current Withdrawals	(74,366)
Interest and Market Gains	33,374
Adjustments/Fees	(1,483)
Balance – June 30, 2007	<u>\$ 337,952</u>

NOTE 11. EMPLOYEES' RETIREMENT PLAN

Plan Description--The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to:

Municipal Employee Retirement Systems of Michigan
447 North Canal Street
Lansing, Michigan 48917
(517) 622-4401

Funding Policy--The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment, for the year ended December 31, 2006, were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 11. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Costs—For the year ended June 30, 2007, the City's annual pension contribution was equal to \$113,003, and employee contributions totaled \$40,399. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5% per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increase ranging from 0.0% to 4.16%; and 3) various mortality rates, retirement rates and withdrawal rates for members based on experience studies.

Three year trend information as of December 31, 2006 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual Pension Cost	\$ 113,003	\$ 109,224	\$ 106,492
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Accrued Liability	5,282,811	5,005,876	4,664,043
Actuarial Value of Assets	4,286,101	4,061,967	3,839,608
Unfunded (Overfunded) AAL	996,710	943,909	824,435
Funded Percentage	81%	81%	82%
Covered Payroll	987,420	914,521	936,407
UAAL as a Percentage of Covered Payroll	101%	103%	88%

NOTE 12. CONTINGENT LIABILITIES

The City is a defendant in various legal actions in which plaintiffs seek damages of indeterminable amounts, which may exceed insurance coverage where applicable. Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the City pertaining to these matters cannot be determined. Management has taken steps to protect the City and believes any liability resulting from cases in which it is involved will not materially affect its financial position.

**CITY OF CLARE
CLARE AND ISABELLA COUNTIES, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 13. LANDFILL POST-CLOSURE CARE

The City owns and operated the Hatton Township Landfill, which was closed in the early 1980's. Following closure, the landfill was capped. However, there have been claims of contamination from the landfill infiltrating local aquifers and contaminating local private wells.

The City hired a technical consultant to develop an assessment plan to determine the levels of alleged migratory contamination. The Michigan Department of Environmental Quality (DEQ) disagreed with the scope and extent of the City consultant's assessment and assumed the role of performing this assessment in 2000. The DEQ completed its assessment plan in 2003 and found no migratory contamination.

In a subsequent meeting with the City, the State Attorney General's Office has proposed a plan to limit the City's future liability in respect to the landfill, wherein the City would contribute \$230,000 to be held in perpetuity in a designated and agreed-upon, third-party escrow account to defray any future costs and litigation ensuing from contamination caused by the landfill. Concurrently, the City would be required to agree to an annual monitoring program of the landfill at an estimated cost of approximately \$25,000 annually until such time that scheduled sampling supported the elimination of cessation of the monitoring program.

During the current year ended June 30, 2007, the City invested \$29,000 in a certificate of deposit with Chemical Bank and Trust Company-Clare as the first of eight required contributions and also established the Hatton Township Landfill Fund to account for this investment.

NOTE 14. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In June 2004, the Governmental Accounting Standards Board issued Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City of Clare does not provide post employment benefits to retirees and will not have to report any costs or liabilities in future periods.

CITY OF CLARE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 1,320,371	\$ 1,320,371	\$ 1,368,782	\$ 48,411
Licenses and permits	22,000	22,000	19,878	(2,122)
Federal aid	103,500	103,500	18,387	(85,113)
State aid	502,020	502,020	392,654	(109,366)
Charges for services	256,305	256,305	287,699	31,394
Interest and dividends	40,000	40,000	59,320	19,320
Rents and royalties	-	-	22,063	22,063
Fines and forfeitures	73,000	73,000	32,092	(40,908)
Special assessments	30,000	30,000	11,043	(18,957)
Donations and contributions	99,500	99,500	59,513	(39,987)
Sale of assets	230,000	230,000	-	(230,000)
Miscellaneous	40,000	40,000	11,412	(28,588)
Total revenues	<u>2,716,696</u>	<u>2,716,696</u>	<u>2,282,843</u>	<u>(433,853)</u>
EXPENDITURES				
General Government:				
City commission	28,499	28,499	24,242	4,257
City manager	106,233	106,233	95,256	10,977
Assessor	34,850	34,850	32,455	
Clerk	93,392	93,392	91,779	1,613
Elections	5,000	5,000	1,528	3,472
Board of review	986	986	1,560	(574)
Cemetery	61,040	61,040	51,618	9,422
Buildings and grounds	58,051	58,051	49,968	8,083
Fiscal services	99,088	99,088	92,075	7,013
All other general government	50,000	50,000	39,199	10,801
Public Safety:				
Police department	775,454	775,454	722,314	53,140
Building inspection and regulation activities	53,693	53,693	55,030	(1,337)
Public Works:				
Solid waste	165,154	165,154	165,597	(443)
Landfill closure	37,442	37,442	29,807	7,635
Public works	55,004	55,004	48,902	6,102
Drains	10,431	10,431	10,431	
Street lights	65,164	65,164	66,132	(968)
Community Development:				
Planning and zoning	42,032	42,032	42,032	-
Recreation and Culture:				
Parks and recreation	432,894	432,894	220,776	212,118
Airport	153,626	153,626	152,387	1,239
Capital Outlay:				
General government	45,000	45,000	45,695	(695)
Public safety	-	-	7,773	(7,773)
Public works	30,000	30,000	-	
Recreation and culture	150,000	150,000	74,602	75,398
Debt Service:				
Principal payments	29,000	29,000	29,000	-
Interest payments	-	-	-	-
Total expenditures	<u>2,582,033</u>	<u>2,582,033</u>	<u>2,150,158</u>	<u>399,480</u>
Excess (deficiency) of revenues over expenditures	<u>134,663</u>	<u>134,663</u>	<u>132,685</u>	<u>(34,373)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	364,735	364,735	363,263	(1,472)
Transfers-out	(374,796)	(374,796)	(358,985)	15,811
Total other financing sources and uses	<u>(10,061)</u>	<u>(10,061)</u>	<u>4,278</u>	<u>14,339</u>
Net change in fund balance	124,602	124,602	136,963	(20,034)
Fund balances-beginning	943,440	943,440	943,440	-
Fund balances-ending	<u>\$ 1,068,042</u>	<u>\$ 1,068,042</u>	<u>\$ 1,080,403</u>	<u>\$ (20,034)</u>

CITY OF CLARE
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State aid	\$ 207,300	\$ 207,300	\$ 212,706	\$ 5,406
Interest and dividends	600	600	2,170	1,570
Special assessments	1,500	1,500	946	(554)
Miscellaneous	2,900	2,900	30,853	27,953
Total revenues	<u>212,300</u>	<u>212,300</u>	<u>246,675</u>	<u>34,375</u>
EXPENDITURES				
Street maintenance	62,010	62,010	68,988	(6,978)
Administration	12,305	12,305	12,884	(579)
State trunkline operations	70,479	70,479	94,736	(24,257)
Total expenditures	<u>144,794</u>	<u>144,794</u>	<u>176,608</u>	<u>(31,814)</u>
Deficiency of revenues over expenditures	<u>67,506</u>	<u>67,506</u>	<u>70,067</u>	<u>2,561</u>
OTHER FINANCING SOURCES (USES)				
Transfers-out	<u>(80,495)</u>	<u>(80,495)</u>	<u>(80,495)</u>	<u>-</u>
Total other financing sources and uses	<u>(80,495)</u>	<u>(80,495)</u>	<u>(80,495)</u>	<u>-</u>
Net change in fund balances	<u>(12,989)</u>	<u>(12,989)</u>	<u>(10,428)</u>	<u>2,561</u>
Fund balances-beginning	<u>32,668</u>	<u>32,668</u>	<u>32,668</u>	<u>-</u>
Fund balances-ending	<u>\$ 19,679</u>	<u>\$ 19,679</u>	<u>\$ 22,240</u>	<u>\$ 2,561</u>

CITY OF CLARE
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 51,000	\$ 51,000	\$ 54,727	\$ 3,727
State aid	72,000	72,000	76,626	4,626
Interest and dividends	1,000	1,000	4,725	3,725
Special assessments	2,400	2,400	4,054	1,654
Miscellaneous	8,500	8,500	418	(8,082)
Total revenues	<u>134,900</u>	<u>134,900</u>	<u>140,550</u>	<u>5,650</u>
EXPENDITURES				
Street maintenance	161,177	161,177	168,098	(6,921)
Administration	11,884	11,884	12,943	(1,059)
Construction	67,438	67,438	55,102	12,336
Total expenditures	<u>240,499</u>	<u>240,499</u>	<u>236,143</u>	<u>4,356</u>
Deficiency of revenues over expenditures	<u>(105,599)</u>	<u>(105,599)</u>	<u>(95,593)</u>	<u>10,006</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	88,728	88,728	88,728	-
Transfers-out	(8,257)	(8,257)	(8,257)	-
Total other financing sources and uses	<u>80,471</u>	<u>80,471</u>	<u>80,471</u>	<u>-</u>
Net change in fund balances	(25,128)	(25,128)	(15,122)	10,006
Fund balance-beginning	<u>35,124</u>	<u>35,124</u>	<u>35,124</u>	<u>-</u>
Fund balances-ending	<u>\$ 9,996</u>	<u>\$ 9,996</u>	<u>\$ 20,002</u>	<u>\$ 10,006</u>

CITY OF CLARE
BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT FUND
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 162,054	\$ 162,054	\$ 157,063	\$ (4,991)
Interest and dividends	2,000	2,000	6,685	4,685
Donations and contributions	-	-	5,638	5,638
Miscellaneous	-	-	604	604
Total revenues	<u>164,054</u>	<u>164,054</u>	<u>169,990</u>	<u>5,936</u>
EXPENDITURES				
Fire operations	150,590	150,590	133,900	16,690
Capital outlay	-	-	10,010	(10,010)
Debt service	67,995	67,995	67,271	724
Total expenditures	<u>218,585</u>	<u>218,585</u>	<u>211,181</u>	<u>7,404</u>
Excess (deficiency) of revenues over expenditures	<u>(54,531)</u>	<u>(54,531)</u>	<u>(41,191)</u>	<u>13,340</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	105,670	105,670	95,159	(10,511)
Transfers-out	(29,992)	(29,992)	(29,992)	-
Total other financing sources and uses	<u>75,678</u>	<u>75,678</u>	<u>65,167</u>	<u>(10,511)</u>
Net change in fund balances	21,147	21,147	23,976	2,829
Fund balances-beginning	<u>165,824</u>	<u>165,824</u>	<u>165,824</u>	<u>-</u>
Fund balances-ending	<u>\$ 186,971</u>	<u>\$ 186,971</u>	<u>\$ 189,800</u>	<u>\$ 2,829</u>

CITY OF CLARE
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Drug Forfeiture	Debt Service Fund - Public Safety	Special Revenue Fund - Sidewalk Replacement	Special Revenue Fund- Hatton Township Landfill	Permanent Fund - Cemetery Perpetual Care	Capital Project Fund- Four Street Parking	Capital Project Fund- Facade Improvement	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 2,171	\$ -	\$ 22,593	\$ -	\$ 12,711	\$ 2,438	\$ 39,768	\$ 79,681
Investments	-	-	-	29,000	275,000	-	-	304,000
Grant receivable	-	-	-	-	-	75,385	-	75,385
Assessment receivable, net	-	-	13,418	-	-	-	-	13,418
Prepaid items	-	-	162	-	-	-	-	162
Total assets	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 36,173</u>	<u>\$ 29,000</u>	<u>\$ 287,711</u>	<u>\$ 77,823</u>	<u>\$ 39,768</u>	<u>\$ 472,646</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 205	\$ -	\$ 133	\$ -	\$ -	\$ -	\$ -	\$ 338
Accrued expenses	-	-	142	-	-	-	-	142
Deferred revenue	-	-	13,418	-	-	-	-	13,418
Total liabilities	<u>205</u>	<u>-</u>	<u>13,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,898</u>
Fund balances:								
Unreserved and undesignated	<u>1,966</u>	<u>-</u>	<u>22,480</u>	<u>29,000</u>	<u>287,711</u>	<u>77,823</u>	<u>39,768</u>	<u>458,748</u>
Total fund balances	<u>1,966</u>	<u>-</u>	<u>22,480</u>	<u>29,000</u>	<u>287,711</u>	<u>77,823</u>	<u>39,768</u>	<u>458,748</u>
Total liabilities and fund balances	<u>\$ 2,171</u>	<u>\$ -</u>	<u>\$ 36,173</u>	<u>\$ 29,000</u>	<u>\$ 287,711</u>	<u>\$ 77,823</u>	<u>\$ 39,768</u>	<u>\$ 472,646</u>

CITY OF CLARE
COMBINING STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Drug Forfeiture	Debt Service Fund - Public Safety	Special Revenue Fund - Sidewalk Replacement	Special Revenue Fund- Hatton Township Landfill	Permanent Fund - Cemetery Perpetual Care	Capital Project Fund- Four Street Parking	Capital Project Fund- Facade Improvement	Total Nonmajor Governmental Funds
REVENUES								
Property taxes and related fees	\$ -	\$ -	\$ 18,242	\$ -	\$ -	\$ -	\$ -	\$ 18,242
Federal aid	-	-	-	-	-	75,385	-	75,385
Charges for services	729	-	-	-	8,150	-	-	8,879
Interest and dividends	127	-	780	-	15,039	1,917	726	18,589
Special assessments, net	-	-	5,761	-	-	-	-	5,761
Donations and contributions	-	-	-	29,000	-	152,373	40,000	221,373
Miscellaneous	-	-	21	-	-	-	-	21
Total revenues	<u>856</u>	<u>-</u>	<u>24,804</u>	<u>29,000</u>	<u>23,189</u>	<u>229,675</u>	<u>40,726</u>	<u>348,250</u>
EXPENDITURES								
Public safety	300	-	-	-	-	-	-	300
Public works	-	-	24,732	-	-	-	-	24,732
Community development	-	-	-	-	-	151,852	958	152,810
Debt service	-	49,875	-	-	-	-	-	49,875
Total expenditures	<u>300</u>	<u>49,875</u>	<u>24,732</u>	<u>-</u>	<u>-</u>	<u>151,852</u>	<u>958</u>	<u>227,717</u>
Excess (deficiency) of revenues over expenditures	<u>556</u>	<u>(49,875)</u>	<u>72</u>	<u>29,000</u>	<u>23,189</u>	<u>77,823</u>	<u>39,768</u>	<u>120,533</u>
OTHER FINANCING SOURCES (USES)								
Transfers-in	-	49,875	-	-	-	-	-	49,875
Transfers-out	-	-	(1,322)	-	(50,000)	-	-	(51,322)
Total other financing sources and uses	<u>-</u>	<u>49,875</u>	<u>(1,322)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(1,447)</u>
Net change in fund balances	556	-	(1,250)	29,000	(26,811)	77,823	39,768	119,086
Fund balances-beginning	<u>1,410</u>	<u>-</u>	<u>23,730</u>	<u>-</u>	<u>314,522</u>	<u>-</u>	<u>-</u>	<u>339,662</u>
Fund balances-ending	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ 22,480</u>	<u>\$ 29,000</u>	<u>\$ 287,711</u>	<u>\$ 77,823</u>	<u>\$ 39,768</u>	<u>\$ 458,748</u>

CITY OF CLARE
COMBINING STATEMENT OF NET ASSETS -
INTERNAL SERVICE FUNDS
June 30, 2007

	Data Processing	Mobile Equipment	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 35,898	\$ 9,650	\$ 45,548
Accounts receivable, net	-	2,023	2,023
Due from other funds	-	24,839	24,839
Inventory	-	11,073	11,073
Prepaid items	440	19,143	19,583
Total current assets	<u>36,338</u>	<u>66,728</u>	<u>103,066</u>
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	175,196	175,196
Equipment, net	38,928	178,850	217,778
Vehicles, net	-	178,427	178,427
Total noncurrent assets	<u>38,928</u>	<u>617,473</u>	<u>656,401</u>
Total assets	<u>75,266</u>	<u>684,201</u>	<u>759,467</u>
LIABILITIES			
Accounts payable	115	781	896
Accrued expenses	418	3,057	3,475
Total liabilities	<u>533</u>	<u>3,838</u>	<u>4,371</u>
NET ASSETS			
Invested in capital assets, net of related debt	38,928	617,473	656,401
Unrestricted	35,805	62,890	98,695
Total net assets	<u>\$ 74,733</u>	<u>\$ 680,363</u>	<u>\$ 755,096</u>

CTTY OF CLARE
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Data Processing	Mobile Equipment	Total
OPERATING REVENUES			
Charges for services	\$ 22,000	\$ 367,832	\$ 389,832
Gain on sale of assets	-	2,737	2,737
Miscellaneous	10,190	673	10,863
Total operating revenues	<u>32,190</u>	<u>371,242</u>	<u>403,432</u>
OPERATING EXPENSES			
Salaries and wages	16,535	56,587	73,122
Payroll taxes	1,145	4,513	5,658
Employee benefits	5,940	26,363	32,303
Retirement	1,328	4,751	6,079
Supplies	1,874	95,215	97,089
Postage	-	5,862	5,862
Professional and contracted services	22,842	13,841	36,683
Insurance	-	16,759	16,759
Telephone and communications	-	1,005	1,005
Travel, meals and lodging	-	51	51
Professional development	289	399	688
Utilities	-	15,848	15,848
Repair and maintenance	13,727	41,371	55,098
Miscellaneous	-	2,275	2,275
Depreciation	47,217	102,987	150,204
Total operating expenses	<u>110,897</u>	<u>387,827</u>	<u>498,724</u>
Operating income (loss)	<u>(78,707)</u>	<u>(16,585)</u>	<u>(95,292)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	3,288	4,168	7,456
Transfers out	(1,346)	(23,429)	(24,775)
Total nonoperating revenue (expenses)	<u>1,942</u>	<u>(19,261)</u>	<u>(17,319)</u>
Changes in net assets	(76,765)	(35,846)	(112,611)
Total net assets-beginning	<u>151,498</u>	<u>716,209</u>	<u>867,707</u>
Total net assets-ending	<u><u>\$ 74,733</u></u>	<u><u>\$ 680,363</u></u>	<u><u>\$ 755,096</u></u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Members of the City Commission
City of Clare
Clare and Isabella Counties, Michigan

We have audited the basic financial statements of the City of Clare, Clare and Isabella Counties, Michigan (the "City"), as of and for the year ended June 30, 2007 and have issued our report thereon dated November 5, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Accounting Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we considered to be reportable conditions as of June 30, 2006. This item is listed as 2006-1 in the accompanying Schedule of Findings and Questioned Costs. There were no findings during the current year ended June 30, 2007. We also listed and reported to management other matters we felt were worthy of their consideration in a separate letter dated November 5, 2007.

Members of the City Commission
City of Clare
Clare and Isabella Counties, Michigan
Page 2

In planning and performing our audit of the financial statements of the City for the year ended June 30, 2007 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, others within the organization, the City of Clare's Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Brent A. Long, P.C.", is written in a cursive style.

Midland, Michigan
November 5, 2007

CITY OF CLARE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

Prior Year Internal Control Findings

Finding 2006-1

Fund Deficit (Repeat Comment)

Downtown Development Authority (DDA) had a fund deficit as of June 30, 2006. Public Act 275 of 1980 (MCL 141.921) requires that the City file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year. The city has not filed the required plan. We recommend the DDA chairman file a deficit elimination plan to comply with the State Treasury requirements.

We are happy to report that management has resolved this finding during the current year ended June 30, 2007.

Current Year Internal Control Findings

We found no matter involving the internal control over financial reporting and its operation that we considered to be reportable condition for the year ended June 30, 2007.

November 5, 2007

Members of the City Commission
City of Clare
Clare and Isabella Counties, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Clare, Clare and Isabella Counties, (the "City") as of and for the years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

PRIOR YEAR COMMENTS

Financial Reporting

As described in the Uniform Accounting Procedures Manual for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

Financial Reporting (Continued)

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).
- Balance sheet by fund (monthly).
- Detail revenue by fund – budget to actual (monthly).
- Detail expenditures by fund – budget to actual (monthly).
- Bank reconciliations (monthly).

Due to changes in staff, these mandatory reports had not been provided to the City Commission on a regular basis.

MERS – Municipal Employee Retirement System

During our 2005 audit we noticed that required contributions for the months of February through May 2005, were not paid to the system until July 2005. Although MERS had not contacted the City, we believe that they have the right to assess interest and penalties for late submission of payments. In addition this is in violation of State statute and union contracts.

Minutes on all Boards

During the process of our 2005 audit we are required to read all financially related commission, authority and committee minutes. We found the commission minutes to be very complete and thorough in highlighting and documenting all financially related resolutions made during the last fiscal year. However, we were unable to review all minutes of all authorities and committees of the City.

Establishment of New Fund

State of Michigan PA #71 of 1919 as amended and/or PA #2 of 1968 as amended requires an establishment of a separate accounting fund for the collection and recording of drug forfeiture monies.

GASB - 34 Implementation

As mentioned the 2005 notes to the financial statements, management had elected to utilize the transition option in the implementation of GASB No. 34 and plans to capitalize the value of its network of streets as an infrastructure asset in its June 30, 2007 financial statements. Financial statements in accordance with GASB Statement 34, have to include the capitalization as previously explained.

Fixed Asset Records

It was also noted within our 2005 audit that fixed asset installation and integration within the City's accounting records had not been fully completed. Management had explained that it was their plan to implement the above upon the completion of the updates to the new computer software BS&A.

Tax Remittals

The Treasurer (per state statute) is required to distribute to other tax assessing units, tax collections on hand on the first and the fifteenth day of each month, within 10 business days after the first and fifteenth day of each month. We noted during our 2005 audit that this distribution schedule was not consistently maintained.

The above listed items were reviewed with management of the City and they have addressed the issues and made satisfactory corrections.

SIGNIFICANT DEFICIENCIES

Fund Deficit (Repeat Comment)

Downtown Development Authority (DDA) had a fund deficit of \$111,386 as of June 30, 2006. Public Act 275 of 1980 (MCL 141.921) requires that the City file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year. The city has issued \$455,000 in bonds in the current fiscal year to eliminate this fund deficiency.

OTHER MATTERS

The following matters, although not considered reportable conditions, are matters we felt worthy for your consideration.

Conflict of Interest Policy

During our audit, we found no formal policy adopted by the City pertaining to related party transactions when awarding contracts and purchasing goods and services.

According to Michigan Compiled Laws (MCL) 46.3 " No member of such governmental board shall be interested directly or indirectly in any contract or other business transaction with any unit of government, or any board, office or commission thereof, during the time for which he or she is elected or appointed, nor for 1 year thereafter unless such contract or transaction has been approved by ¾ of the members of the governmental commission and so shown on the minutes of the commission together with a statement showing that the commission is cognizant of such member's interest."

Conflict of Interest Policy (Continued)

We recommend that the City document, in writing, a policy and procedure which covers disclosure requirements regarding transactions and relationships that may involve potential conflicts of interests.

The policy should provide for an annual statement from the commissioners and employees in sensitive positions certifying their compliance with the policy. These statements should be reviewed by the board of commissioners. In addition, the policy should cover disclosure requirements by employees and commission members regarding transactions and relationships that involve any potential conflicts of interest.

This policy and procedure will provide adequate assurance that significant related party transactions did not occur which could have a significant influence over the Commission's control.

Revenues and Expenditure Projections (Repeat Comment)

During our audit, we noted that the City's fire fund has a five-year budget projection for its revenues and expenditures. However, the remaining funds have no such plan in place. We recommend this analysis be part of the budgeting process and estimate revenue and expenditures for four years beyond the current budget cycle for all the City's funds. Following this recommendation will highlight potential financial difficulties and allow Commissioners time to evaluate the effect on City services.

Appropriations in Budgetary Funds (Repeat Comment)

P.A. 2 of 1968, as amended, provides that a governmental unit shall not incur expenditures in excess of amount appropriated. We noted during our audit that the City incurred expenditures in excess of amounts appropriated in some fund and line items. Per the Financial Director most of these differences are the result of updating accounting structure to comply with State's Uniform Chart of Accounts for Counties and Local Units of Governments.

We recommend completion of the account updates in process, and that the budget be amended during the year to account for any account structure updates or expenditures in excess of the original budget amounts. These amendments must be approved by the City Commissioners and documented in the Commission minutes. This will help the City from incurring expenditures in excess of appropriations.

Water Billing (Repeat Comment)

During our audit we noted that there is a continuing variance in the amount of water actually pumped and that billed by the water department. Per discussions with management, it is believed that this difference is due to unaccounted for uses of water by various departments. The City has also added an additional staff member to service water meters and to attend to water distribution issues.

We recommend a monthly monitoring of this variance, and that the City continue to research and account for the currently unaccounted for uses of water.

Payroll Reconciliation (Repeat Comment)

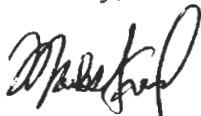
During our audit we attempt to reconcile total wages per IRS 941 Forms to wage totals recorded within the general ledger. We perform this procedure to determine the accuracy of payroll processing and financial reporting. As in the past, our reconciliation showed significant differences between the general ledger and the IRS 941 Forms. We recommend that future general ledger – payroll reconciliations be completed quarterly by the finance department.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2006 and 2007, financial statements, and this report does not affect our report on those financial statements dated November 5, 2007. We have not considered internal control since the date of our report.

This communication is intended solely for the information and use of the members of the City Commission, management, the State of Michigan, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



BURNSIDE & LANG, P.C.

November 5, 2007

Members of the City Commission
City of Clare
Clare and Isabella Counties, Michigan

This letter is intended to inform the City Commission of the City of Clare ("the City") about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the City Commission.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

Our audit of the financial statements of the City of Clare for the years ended June 30, 2006 and 2007 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based on management's current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Members of the City Commission
City of Clare
November 5, 2007
Page 2

Audit Adjustments

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the City's financial reporting process. A copy of all audit adjustments for 2006 and 2007 accompany this letter.

Accounting Policies and Alternative Treatments

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the years ended June 30, 2006 and 2007 which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Members of the City Commission
City of Clare
November 5, 2007
Page 3

Other Matters

Internal Control Policies

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the townships programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the City periodically review the controls in place to prevent, deter and detect fraud.

A handwritten signature in black ink, appearing to read "Michael Burnside", is positioned above the printed name and firm information.

BURNSIDE & LANG, P.C.
Midland, Michigan
November 5, 2007

City of Clare
Audit Adjustments
June 30, 2007

GENERAL FUND

	<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1	101-000-000-045-000	Special Assessment Receivable	13,913.23	
	101-000-000-339-000	Deferred Revenue		11,898.27
	101-000-000-672-000	Special Assessment Revenue		2,198.21
	101-000-000-664-000	Interest Income	183.25	
	To adjust special assessments to actual			
2	101-000-000-001-000	Cash		1,431.68
	101-000-000-040-000	Accounts Receivable	1,431.68	
	To reconcile Misc A/R			
3	101-000-000-123-000	Prepaid Expenses	130.99	
	101-000-000-233-000	B/C Retiree Group	4,305.03	
	101-000-000-234-000	B/C Cobra	490.22	
	101-301-000-716-000	Fringe Benefits		4,926.24
	To reconcile prepaids & zero Blue Cross liabilities			
4	101-000-000-040-000	Accounts Receivable		3,914.19
	101-000-000-607-000	Charges for Services	3,914.19	
	To adjust Misc A/R to schedule			
5	101-000-000-214-729	Due to Other Gov. Units	7,886.25	
	101-000-000-671-005	In Lieu of Taxes		7,886.25
	To adjust PILOT liability to actual			
6	101-172-000-702-000	Wages	2,920.40	
	101-191-000-702-000	Wages	2,941.95	
	101-215-000-702-000	Wages	2,306.11	
	101-247-000-702-000	Wages	49.33	
	101-265-000-702-000	Wages	338.04	
	101-301-000-702-000	Wages	16,188.79	
	101-371-000-702-000	Wages	799.84	
	101-441-000-702-000	Wages	559.34	
	101-448-000-702-000	Wages	99.04	
	101-528-000-702-000	Wages	269.48	
	101-537-000-702-000	Wages	279.85	
	101-000-000-257-000	Wages Payable		26,752.17
7	101-528-000-801-000	Contracted Services	10,960.88	
	101-000-000-202-000	Accounts Payable		10,960.88
	To adjust A/P to actual			
8	101-265-000-728-000	Operating Supplies	1,290.84	
	101-000-000-111-000	Inventory		1,290.84
	To adjust inventory to actual			

9	101-537-000-731-000	Aviation Fuel	12,321.57	
	101-000-000-111-001	Inventory- Airport Fuel		12,321.57
	To adjust fuel inventory to actual			

MAJOR STREETS FUND

1	202-000-000-045-000	Special Assessment Receivable		945.75
	202-000-000-339-000	Deferred Revenue	945.75	
	To adjust special assessment to actual			
2	202-000-000-078-000	Due from State		12,171.03
	202-000-000-078-000	Due fom State		434.01
	202-000-000-569-000	Act 51 Monies	12,171.03	
	202-000-000-569-000	Act 51 Monies	434.01	
	To reverse entry for Management's estimate of June activity			
3	202-000-000-078-000	Due from State	12,529.35	
	202-000-000-078-000	Due from State	434.01	
	202-000-000-569-000	Act 51 Monies		12,529.35
	202-000-000-569-000	Act 51 Monies		434.01
	To record amount due from State for June activity			
4	202-000-000-078-000	Due from State		434.01
	202-000-000-569-000	Act 51 Monies	434.01	
	To correct JE 155379 which overstated balances			
5	202-446-001-702-000	Wages	621.13	
	202-449-002-702-000	Wages	964.59	
	202-449-004-702-000	Wages	211.86	
	202-000-000-257-000	Wags Payable		1,797.58
	To record accrued wages			

LOCAL STREETS FUND

1	203-000-000-045-000	Special Assessment Receivable		3,049.02
	203-000-000-339-000	Deferred Revenue	3,049.02	
	203-000-000-672-000	Special Assessment Revenue	2,062.03	
	203-000-000-664-000	Interest Income		2,062.03
	To adjust special assessments to actual			
2	203-000-000-078-000	Due from State		10,834.84
	203-000-000-078-000	Due from State		386.46
	203-000-000-569-000	Act 51 Monies	10,834.84	
	203-000-000-569-000	Act 51 Monies	386.46	
	To reverse entry to record Management's estimate for June activity			
3	203-000-000-078-000	Due from State	5,576.91	
	203-000-000-078-000	Due from State	193.23	
	203-000-000-569-000	Act 51 Monies		5,576.91
	203-000-000-569-000	Act 51 Monies		193.23
	To record amount due from state for June's Act 51 monies			

4	203-449-002-702-000	Wages	2,551.42	
	203-449-004-702-000	Wages	211.91	
	203-000-000-257-000	Wages Payable		2,763.33
	To record accrued wages			

FIRE FUND

1	206-000-000-040-000	Accounts Receivable		10,013.08
	206-000-000-607-000	Charges for Services	10,013.08	
	To adjust A/R to actual			
2	206-336-000-702-000	Wages	4,605.20	
	206-000-000-257-000	Accrued Wages		4,605.20
	To record accrued wages			
3	206-000-000-111-000	Inventory	155.10	
	206-336-000-728-000	Operating Supplies		155.10
	To adjust inventory to actual			

PARKS & RECS FUND

1	208-751-001-702-000	Wages	4,029.27	
	208-751-002-702-000	Wages	1,626.54	
	208-000-000-257-000	Accrued Wages		5,655.81
	To record accrued wages			

SIDEWALK REPLACEMENT FUND

1	211-000-000-045-000	Special Assessment Receivable	974.40	
	211-000-000-339-000	Deferred Revenue		974.40
	211-000-000-672-000	Special Assessment Revenue		958.37
	211-000-000-664-000	Interest Income	958.37	
	To adjust special assessment to actual			
2	211-444-000-702-000	Wages	142.34	
	211-000-000-257-000	Accrued Wages		142.34
	To record accrued wages			

SEWER FUND

1	590-000-000-001-000	Cash	1,205.95	
	590-000-000-694-001	Cash Over/ Short		1,205.95
	To reverse an entry made twice by client			
2	590-000-000-045-000	Special Assessment Receivable		48,592.38
	590-000-000-339-000	Deferred Revenue	49,264.01	
	590-000-000-672-000	Special Assessment Revenue		629.27
	590-000-000-664-000	Interest Income		42.36
	To adjust special assessment to actual			

3	590-000-000-040-000	Accounts Receivable		664.18
	590-000-000-694-000	Misc Income	664.18	
	To reconcile Misc A/R			
4	590-000-000-133-000	Acc. Depr. - Land Improv.	4,412.65	
	590-000-000-137-000	Acc. Depr. - Buildings		9,969.64
	590-000-000-145-000	Acc. Depr. - Equipment	12,412.95	
	590-000-000-155-000	Acc. Depr. Sewer System		11,213.20
	590-536-001-968-000	Depreciation Expense	4,357.24	
	To adjust depreciation balances to schedule			
5	590-536-001-702-000	Wages	3,836.59	
	590-536-002-702-000	Wages	1,061.38	
	590-000-000-257-000	Accrued Wages		4,897.97
	To record accrued wages			
6	590-000-000-002-001	Cash Held @ Isabella County	65.56	
	590-000-000-664-000	Interest and Dividends		65.56
	To record June 2007 interest income			

WATER FUND

1	591-000-000-045-000	Special Assessment Receivable		22,175.17
	591-000-000-339-000	Deferred Revenue	22,175.17	
	591-000-000-672-000	Special Assessment Revenue	125.27	
	591-000-000-664-000	Interest Income		125.27
	To adjust special assessment to actual			
2	591-000-000-158-000	Construction In Progress		2,000.00
	591-000-000-158-000	Construction In Progress		3,460.00
	591-000-000-158-000	Construction In Progress		70.00
	591-536-003-801-000	Professional Services	2,000.00	
	591-536-003-931-000	Repairs and Maintenance	3,460.00	
	591-536-003-931-000	Repairs and Maintenance	70.00	
	To expense non-capital items charged to construction in progress			
3	591-000-000-158-000	Construction In Progress		123,097.50
	591-000-000-152-000	Water System- Wells	123,097.50	
	To record the completion of Well #8			
4	591-000-000-001-000	Cash	443.50	
	591-000-000-040-000	Accounts Receivable		26,052.90
	591-000-000-628-001	PRP Air Stripper Reimbursement	20,179.08	
	591-000-000-628-002	PRP Air Stripper Proj 2 Reimburs	5,272.32	
	591-000-000-629-002	Lab Service	158.00	
	To reconcile Misc A/R			

5	591-000-000-137-000	Acc. Depr. - Buildings		588.13
	591-000-000-145-000	Acc. Depr. - Equipment		183.00
	591-000-000-153-000	Acc. Depr. - Water System		7,959.06
	591-536-003-968-000	Depreciation Expense	8,730.19	
	To adjust depreciation balances to schedule			
6	591-000-000-040-000	Accounts Receivable	32,341.03	
	591-00-000-628-001	PRP Air Stripper Reimbursement		32,341.03
	To accrue estimated billing for PRP1 for 06/30/07 quarter			
7	591-536-003-702-000	Wages	2,092.64	
	591-536-005-702-000	Wages	2,311.30	
	591-536-006-702-000	Wages	1,046.29	
	591-000-000-257-000	Accrued Wages		5,450.23
	To record accrued wages			

DATA PROCESSING FUND

1	636-228-000-702-000	Wages	417.98	
	636-000-000-257-000	Accrued Wages		417.98
	To record accrued wages			
2	636-000-000-391-000	Net Assets	39.98	
	636-280-000-740-000	Operating Supplies		39.98
	To adjust net assets to 2006 financial statements			

INTERNAL SERVICE FUND

1	641-000-000-276-000	Due to Utility Customer	1.75	
	641-000-000-630-000	Meter Replacement Revenue		1.75
	To zero Due to account at 06/30/07			
2	641-292-000-702-000	Wages	560.00	
	641-441-000-702-000	Wages	2,496.82	
	641-000-000-257-000	Accrued Wages		3,056.82
	To record accrued wages			
3	641-441-000-728-000	Operating Supplies	20,259.73	
	641-000-000-111-000	Inventory		20,259.73
	To adjust inventory to actual			

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
A	202.000.000.001.000	Cash		36,008.00
	202.000.000.214.203	Due to Local Street Fund	36,008.00	
	203.000.000.672.002	West 7th Street Assessment	36,008.00	
	203.000.000.676.002	Due from Major Street Fund		36,008.00
		To correct the coding of the annual transfer.		
B	202.000.000.001.000	Cash	8,000.00	
	202.000.000.214.203	Due to Local Street Fund		8,000.00
	203.000.000.001.000	Cash		8,000.00
	203.000.000.084.202	Due from Major Street Fund	8,000.00	
		To reduce amount paid to the Local Street Fund to show a positive cash balance in the Major Street Fund at June 30, 2006.		
C	101.000.000.048.703	Due from Tax Fund	548.06	
	101.000.000.664.000	Interest and dividends		548.06
		To record the amount due from the Tax fund at June 30, 2006.		
D	101.290.000.969.203	Contribution to Local Street Fund		15,921.00
	101.290.000.969.206	Contribution to Fire Fund		66,148.00
	101.290.000.969.403	Contribution to Public Safety		18,757.53
	101.290.000.969.591	Hydrant Rental		35,319.00
	101.955.000.999.000	Transfers out		60,189.00
	101.999.000.999.203	Transfers out - Local Street Fund	21,228.00	
	101.999.000.999.206	Transfers out - Fire Fund	102,592.00	
	101.999.000.999.303	Transfers out - Public Safety Fund	37,195.53	
	101.999.000.999.591	Transfers out - Water Fund	35,319.00	
	206.336.000.931.000	Repairs - equipment	105.96	
	206.336.000.969.403	To Public Safety Building		105.96
		To reconcile interfund transfers and to correct coding errors.		
E	206.336.000.930.000	Repairs - Buildings and Grounds	22.58	
	206.336.000.943.000	Equipment rental		22.58
	641.000.000.001.000	Cash	2,062.00	
	641.000.000.001.000	Cash		4,708.00
	641.000.000.669.402	Equipment rentals - Sidewalks		2,062.00
	641.000.000.669.591	Water fund rentals	13,913.00	
	641.000.000.676.593	Meter reading Water Fund		9,205.00
		To reconcile Mobile Equipment activity.		
F	303.000.000.001.000	Cash		13,775.00
	303.000.000.676.101	Transfer from General Fund	8,265.00	
	303.000.000.676.206	Transfer from Fire Fund	5,510.00	
	590.000.000.304.000	FmHA Bonds Payable	4,000.00	
	590.000.000.001.000	Cash		13,775.00
	590.612.000.997.013	Interest expense	9,775.00	
	303.223.000.991.000	Principal payment		4,000.00
	303.223.000.995.000	Bond interest fees		9,775.00
	303.000.000.001.000	Cash	13,775.00	
	206.336.000.969.403	To Public Safety debt service		5,510.00
	206.000.000.001.000	Cash	5,510.00	
	101.000.000.001.000	Cash	8,265.00	
	101.999.000.999.303	Transfer to Public Safety debt service		8,265.00
		To reconcile interfund activity by correcting journal entries 153827 and 153771.		
G	641.000.000.001.000	Cash	100,000.00	
	641.000.000.003.000	Repurchase agreements		100,000.00
	641.000.000.048.203	Due from Local Street Fund	18,890.00	
	641.000.000.084.203	Due from Local Street Fund		18,890.00
		To correct duplicate entries.		
H	590.000.000.256.000	Accrued interest payable	1,770.83	
	590.612.000.995.005	Interest expense		1,770.83
	591.000.000.256.000	Accrued interest payable	208.33	
	591.614.000.998.003	Interest expense		208.33
		To adjust accrued interest payable to scheduled amount at June 30, 2006,		

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
	590.000.000.111.000	Inventory	10,187.16	
	590.611.000.740.000	Supplies		10,187.16
	591.000.000.111.000	Inventory	6,623.67	
	591.611.000.743.000	Supplies		6,623.67
		To adjust inventory to John Holland's compilation at June 30, 2006.		
J	641.000.000.109.000	Inventory		926.83
	641.000.000.084.202	Due from Major Street Fund	455.00	
	641.000.000.084.203	Due from Local Street Fund	430.50	
	641.000.000.084.101	Due from General Fund	41.30	
	202.463.000.740.000	Operating supplies	455.00	
	202.000.000.214.641	Due to Mobile Equipment Fund		455.00
	203.463.000.740.000	Operating supplies	430.50	
	203.000.000.214.641	Due to Mobile Equipment Fund		430.50
	101.265.000.740.000	Operating supplies	41.30	
	101.000.000.214.641	Due to Mobile Equipment Fund		41.30
		To record cold patch "sold" to various functions during fiscal 2006 from Cathy Davis's schedule.		
K	641.000.000.109.000	Inventory		6,097.21
	641.000.000.084.202	Due from Major Street	4,945.52	
	641.000.000.084.203	Due from Local Street	886.10	
	641.000.000.084.101	Due from General Fund	265.59	
	202.000.000.214.641	Due to Mobile Equipment		4,945.52
	202.463.000.740.479	Operating supplies - snow/ice	1,004.95	
	202.487.000.740.492	Operating supplies - snow/ice	3,940.57	
	203.000.000.214.641	Due to Mobile Equipment		886.10
	203.463.000.740.479	Operating supplies - snow/ice	886.10	
	101.000.000.214.641	Due to Mobile Equipment		265.59
	101.265.000.740.000	Operating supplies - snow/ice	265.59	
		To record salt "sold" to various functions during fiscal 2006 from Cathy Davis' schedule.		
L	641.000.000.111.000	Inventory	8,283.31	
	641.270.000.781.000	Repair parts		8,283.31
		To adjust inventory to Bob Bonham's compilation at June 30, 2006.		
M	101.000.000.111.001	Inventory - Airport Fuel	15,948.96	
	101.537.000.924.000	Aviation fuel purchases		15,948.96
		To record the estimated value of aviation fuel on hand at June 30, 2006.		
N	101.209.000.702.000	Wages		645.00
	101.209.000.715.001	Payroll taxes		49.34
	101.000.000.001.000	Cash	694.34	
		To correct Brian Allen's payroll for January 5, 2006; payroll recorded three times, but only one was reversed.		
O	101.209.000.702.000	Wages	1,426.11	
	101.301.000.702.000	Wages		1,426.11
		To correct Neil Hammerbacher's sick time wages, which were charged to the Police Department because of incorrect coding. Corrected coding with chart of account changes.		
P	101.209.000.712.000	Fees and per diem		331.50
	101.209.000.715.001	Payroll taxes		22.88
	101.247.000.702.000	Wages	331.50	
	101.247.000.715.001	Payroll taxes	22.88	
		To correct the coding for Jan Winter's Board of Review wages charged to the Property tax administration activity. Still need to correct the coding.		
Q	101.209.000.716.000	Fringe benefits	29,157.36	
	101.209.000.716.000	Fringe benefits	5,908.92	
	101.691.000.716.000	Fringe benefits	6,415.31	
	101.000.000.001.000	Cash		41,481.59
		To correct the amount paid for health insurance for the police, treasurer and park's manager.		
R	101.172.000.715.001	Payroll taxes		5,661.76
	101.172.000.718.000	Retirement	6,960.84	
	101.000.000.258.000	Accrued taxes and benefits payable		1,299.08

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To correct the recording of Ken Hibi's retirement payments charged to payroll taxes and at only 10% instead of 11% per his contract.		
S	101.000.000.040.000	Due from DDA	927.36	
	101.000.000.001.000	Cash		927.36
	210.000.000.214.101	Due to the City of Clare		927.36
	210.747.002.801.012	Professional and contractual services	927.36	
		To correct the recording of Abby Kulick's sick pay.		
T	101.253.000.702.000	Wages	1,600.00	
	101.253.000.716.000	Fringe benefits		1,600.00
		To reclass health insurance buy as wages for Kay Haven. Need to fix coding.		
U	101.301.000.702.000	Wages	505.28	
	101.000.000.101.000	Cash		505.28
		To correct the recording of Jeremy McGraw's vacation pay.		
V	206.336.000.702.000	Wages	350.00	
	206.000.000.001.000	Cash		350.00
	101.301.000.702.000	Wages		350.00
	101.000.000.001.000	Cash	350.00	
		To correct the recording of Dennis Koch's pay for the October 13, 2005 pay.		
W	206.336.000.702.000	Wages - fire department	3,506.75	
	206.336.000.740.000	Operating supplies		3,506.75
		To record reconciliation of recorded wages to employee earnings records, adjusted for beginning and ending accrued wages.		
X	704.000.000.001.000	Cash	1,161.87	
	704.000.000.231.002	Due to MERS		1,161.87
	101.000.000.040.271	Due from Library	897.58	
	101.000.000.001.000	Cash		897.58
		To correct the MERS activity for Pam McKnight. Need to fix coding.		
Y	101.301.000.718.000	Retirement	3,773.29	
	101.209.000.718.000	Retirement	249.61	
	101.691.000.718.000	Retirement	1,489.21	
	101.253.000.718.000	Retirement	479.42	
	101.000.000.001.000	Cash		5,991.53
	636.000.000.001.000	Cash	136.38	
	636.280.000.718.000	Retirement		136.38
		To adjust retirement expense to calculated amounts for police, treasurer, clerk, dept. clerk and parks.		
Z	101.000.000.001.000	Cash		3,502.63
	101.546.000.716.000	Fringe benefits	3,502.63	
	641.000.000.001.000	Cash	3,502.63	
	641.270.000.716.000	Fringe benefits		3,502.63
		To re-apply HRA amounts from Mobile Equipment.		
AA	590.000.000.001.000	Cash		3,910.69
	590.000.000.629.000	Service metered OM	3,910.69	
		To reverse the duplicate, August entry for recording the State's payment for the Mackie rest area.		
AB	590.000.000.001.000	Cash		3,181.57
	590.000.000.629.000	Service metered OM	3,181.57	
		To reverse the duplicate, September entry for recording the State's payment for the Mackie rest area.		
AC	590.000.000.001.000	Cash		3,181.57
	590.000.000.629.000	Service metered OM	3,181.57	
		To reverse the duplicate, October entry for recording the State's payment for the Mackie rest area.		
AD	101.000.000.001.000	Cash		1,996.75
	101.000.000.214.729	Due to other governmental units	1,996.75	

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To reverse the duplicate, November entry for recording the State's payment for the Mackie rest area.		
AE	590.000.000.001.000	Cash		3,337.81
	590.000.000.629.000	Service metered OM	3,337.81	
		To reverse the duplicate, December entry for recording the State's payment for the Mackie rest area.		
AF	590.000.000.001.000	Cash		1,736.35
	590.000.000.629.000	Service metered OM	1,736.35	
		To reverse the duplicate, January entry for recording the State's payment for the Mackie rest area.		
AG	590.000.000.001.000	Cash		1,102.71
	590.000.000.629.000	Service metered OM	1,102.71	
		To reverse the duplicate, February entry for recording the State's payment for the Mackie rest area.		
AH	590.000.000.001.000	Cash		1,293.67
	590.000.000.629.000	Service metered OM	1,293.67	
		To reverse the duplicate, March entry for recording the State's payment for the Mackie rest area.		
AI	590.000.000.001.000	Cash		1,276.31
	590.000.000.629.000	Service metered OM	1,276.31	
		To reverse the duplicate, April entry for recording the State's payment for the Mackie rest area.		
AJ	590.000.000.001.000	Cash		1,384.81
	590.000.000.629.000	Service metered OM	1,384.81	
		To reverse the duplicate, May entry for recording the State's payment for the Mackie rest area.		
AK	590.000.000.001.000	Cash		1,562.75
	590.000.000.629.000	Service metered OM	1,562.75	
		To reverse the duplicate, June entry for recording the State's payment for the Mackie rest area.		
AL	101.000.000.001.000	Cash		37.60
	101.000.000.214.729	Due to other governmental units	37.60	
		To reverse the duplicate, September entry for recording the State's payment for the Secretary of State office.		
AM	590.000.000.001.000	Cash		37.60
	590.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, November entry for recording the State's payment for the Secretary of State office.		
AN		No entry		
AO	591.000.000.001.000	Cash		31.76
	591.000.000.629.000	Service metered OM	31.76	
		To reverse the duplicate, December entry for recording the State's payment for the Secretary of State office.		
AP	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, January entry for recording the State's payment for the Secretary of State office.		
AQ	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, February entry for recording the State's payment for the Secretary of State office.		
AR	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
		To reverse the duplicate, March entry for recording the State's payment for the Secretary of State office.		
AS	591.000.000.001.000	Cash		43.44
	591.000.000.629.000	Service metered OM	43.44	
		To reverse the duplicate, April entry for recording the State's payment for the Secretary of State office.		
AT	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, April entry for recording the State's payment for the Secretary of State office.		
AU	591.000.000.001.000	Cash		31.76
	591.000.000.629.000	Service metered OM	31.76	
		To reverse the duplicate, May entry for recording the State's payment for the Secretary of State office.		
AV	591.000.000.001.000	Cash		37.60
	591.000.000.629.000	Service metered OM	37.60	
		To reverse the duplicate, June entry for recording the State's payment for the Secretary of State office.		
AW	590.000.000.001.000	Cash		384.00
	590.000.000.629.000	Service metered OM	384.00	
		To reverse the duplicate entries for recording the State's payment for lab service.		
AX	101.000.000.001.000	Cash	2,350.76	
	101.000.000.671.008	Airport fuel sales		2,400.72
	101.537.000.924.001	Aviation fuel charge card fees	49.96	
		To record the August 30, 2005 credit card receipts for airport fuel sales.		
AY	101.000.000.001.000	Cash	1,642.99	
	101.000.000.671.008	Airport fuel sales		1,676.53
	101.537.000.924.001	Aviation fuel charge card fees	33.54	
		To record the November 1, 2005 credit card receipts for airport fuel sales.		
AZ	101.000.000.001.000	Cash	2,834.02	
	101.000.000.671.008	Airport fuel sales		2,891.85
	101.537.000.924.001	Aviation fuel charge card fees	57.83	
		To record the March 3 and 10, 2006 credit card receipts for airport fuel sales.		
BA	101.000.000.001.000	Cash	2,448.24	
	101.000.000.671.008	Airport fuel sales		2,498.19
	101.537.000.924.001	Aviation fuel charge card fees	49.95	
		To record the April 21, 2006 credit card receipts for airport fuel sales.		
BB	101.000.000.001.000	Cash	3,999.02	
	101.000.000.671.008	Airport fuel sales		4,081.59
	101.537.000.924.001	Aviation fuel charge card fees	82.57	
		To record the May 12, 2006 credit card receipts for airport fuel sales.		
BC	101.000.000.001.000	Cash	405.33	
	101.000.000.640.000	Garbage collection fees		385.58
	101.000.000.694.000	Miscellaneous income		19.75
	206.000.000.001.000	Cash	393.50	
	206.000.000.607.100	Vehicle responses		393.50
	590.000.000.001.000	Cash	3,778.87	
	590.000.000.629.000	Serv metered OM		3,778.87
	591.000.000.001.000	Cash	1,432.68	
	591.000.000.629.000	Serv metered OM		1,432.68
	641.000.000.001.000	Cash	54.20	
	641.000.000.630.00	Meter replacement revenue		54.20
		To record the June 30 receipt activity deposited July 1, 2006.		

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
BD	206.000.000.001.000	Cash		25,000.00
	206.000.000.003.000	Repurchase agreements	25,000.00	
	402.000.000.001.000	Cash		12,500.00
	402.000.000.003.000	Repurchase agreements	12,500.00	
	590.000.000.001.000	Cash		25,000.00
	590.000.000.003.000	Repurchase agreements	25,000.00	
	591.000.000.001.000	Cash		25,000.00
	591.000.000.003.000	Repurchase agreements	25,000.00	
	641.000.000.001.000	Cash		37,500.00
	641.000.000.003.000	Repurchase agreements	37,500.00	
	711.000.000.001.000	Cash		25,000.00
	711.000.000.003.000	Repurchase agreements To reallocate cash and investment balances at June 30, 2006	25,000.00	
BE	210.747.001.801.000	Professional and contractual - legal fees	26,558.23	
	210.000.000.202.000	Accounts payable To accrue Miller, Canfield, Paddock and Stone legal fees as of June 30, 2006 per their legal representation letter.		26,558.23
BF	202.000.000.001.000	Cash	13,448.61	
	202.000.000.569.000	ACT 51 Revenue		13,448.61
	203.000.000.001.000	Cash	5,985.24	
	203.000.000.569.000	ACT 51 Revenue To record the May 3, 2006 payment from the State for ACT 51 revenues.		5,985.24
BG	206.000.000.001.000	Cash	23.66	
	206.000.000.664.000	Interest and dividends		23.66
	101.000.000.001.000	Cash	928.30	
	101.000.000.664.000	Interest and dividends		928.30
	202.000.000.001.000	Cash	1.78	
	202.000.000.664.000	Interest and dividends		1.78
	203.000.000.001.000	Cash	6.10	
	203.000.000.664.000	Interest and dividends		6.10
	206.000.000.001.000	Cash	167.07	
	206.000.000.664.000	Interest and dividends		167.07
	402.000.000.001.000	Cash	24.92	
	402.000.000.664.000	Interest and dividends		24.92
	590.000.000.001.000	Cash	859.16	
	590.000.000.664.000	Interest and dividends		859.16
	591.000.000.001.000	Cash	471.88	
	591.000.000.664.000	Interest and dividends		471.88
	636.000.000.001.000	Cash	23.88	
	636.000.000.664.000	Interest and dividends		23.88
	641.000.000.001.000	Cash	98.11	
	641.000.000.664.000	Interest and dividends		98.11
	711.000.000.001.000	Cash	330.03	
	711.000.000.664.000	Interest and dividends To record the November 30 (Fire only) and May 24 interest receipts.		330.03
BH	101.000.000.001.000	Cash		2,321.58
	101.000.000.671.008	Airport fuel sales	2,321.58	
	101.000.000.001.000	Cash		3,473.82
	101.000.000.671.008	Airport fuel sales To reverse the April 12 and April 24 fuel sales recorded by Kendra Deering in the cash receipts module. All other recordings have been through journal entries.	3,473.82	
BI	101.000.000.001.000	Cash		980.65
	101.000.000.233.000	Blue Cross Retiree Group To reverse the October 6, 2005 duplicate posting for Mike Becker's health insurance premium.	980.65	
BJ	641.000.000.001.000	Cash		939.20
	641.270.000.716.000	Fringe benefits To reverse the October 10, 2005 duplicate posting for Bob Bonham's insurances. Bob had to pay for one month when he retired and then came back.	939.20	
BK	101.000.000.001.000	Cash		467.34

City of Clare
Year End Adjustments
June 30, 2006

Reference	Account Number	Account Description	Debit	Credit
	101.000.000.233.000	Blue Cross Retiree Group To reverse the March 20, 2006 duplicate posting for Bonnie Sweet's health insurance premium.	467.34	
BL	101.000.000.001.000	Cash		1,032.47
	101.000.000.233.000	Blue Cross Retiree Group To reverse the April 10, 2006 duplicate posting for Tim Ryneerson's health insurance premium.	1,032.47	
BM	101.000.000.001.000	Cash		128.00
	101.000.000.610.000	Fees To reverse the April 10, 2006 duplicate posting for the Coleman's invoices.	128.00	
BN	101.000.000.001.000	Cash		52.00
	101.000.000.610.000	Fees To reverse the April 10, 2006 duplicate posting for the Doherty's invoices.	52.00	
BO	101.000.000.001.000	Cash		980.65
	101.000.000.233.000	Blue Cross Retiree Group To reverse the June 1, 2006 duplicate posting for Mike Becker's health insurance premium.	980.65	
BP	101.000.000.001.000	Cash		467.34
	101.000.000.233.000	Blue Cross Retiree Group To reverse the March 20, 2006 duplicate posting for Bonnie Sweet's health insurance premium.	467.34	
BQ	101.000.000.001.000	Cash		45.00
	101.000.000.607.000	Charges for services To reverse the November 18, 2005 duplicate posting for Nilo Ramos's lot mowing	45.00	
BR	101.000.000.001.000	Cash		57.18
	101.000.000.640.000	Garbage collection fees	57.18	
	590.000.000.001.000	Cash		60.61
	590.000.000.629.000	Served metered OM	60.61	
	591.000.000.001.000	Cash		47.85
	591.000.000.629.000	Served metered OM	47.85	
	641.000.000.001.000	Cash		4.04
	641.000.000.630.000	Meter replacement revenues To reverse the July 19, 2005 duplicate posting for utility billing. Amount deposited into the tax account and previously transferred.	4.04	
BS	101.526.000.801.000	Legal fees	1,062.50	
	101.000.000.202.000	Accounts payable To accrue Varnum attorney fees through June 30, 2006.		1,062.50
BT	303.223.000.991.000	Principal		14,000.00
	303.223.000.995.000	Interest and fiscal charges To correct the recording of debt payments for the public safety building.	14,000.00	